



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB4030

Introduced 2/6/2026, by Sen. Paul Faraci

SYNOPSIS AS INTRODUCED:

New Act

35 ILCS 5/201

35 ILCS 5/203

from Ch. 120, par. 2-203

35 ILCS 5/246 new

35 ILCS 105/3-5

35 ILCS 110/3-5

35 ILCS 115/3-5

35 ILCS 120/2-5

35 ILCS 200/18-184.22 new

Creates the Border Community Act. Provides that a municipality may, by ordinance, apply to the Department of Commerce and Economic Opportunity to be certified as a border community if all or part of the territory of the municipality is located within 10 miles of the border between Illinois and another state and the municipality meets other stated criteria. Amends the Illinois Income Tax Act to provide that an investment credit available to a River Edge Redevelopment Zone is also available within a border community. Creates a border community construction jobs credit. Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act to provide an exemption for building materials to be incorporated into real property in a border community. Amends the Property Tax Code to create a property tax abatement for property located in a border community.

LRB104 17136 HLH 30555 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 1. Short title. This Act may be cited as the Border
5 Community Act.

6 Section 5. Definitions. As used in this Act:

7 "Border community" means a border community certified by
8 this Act.

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

11 Section 10. Certification of border communities.

12 (a) A municipality may, by ordinance, apply to the
13 Department to be certified as a border community if:

14 (1) all or part of the territory of the municipality
15 is located within 10 miles of the border between Illinois
16 and another state;

17 (2) the municipality has experienced a documented
18 population decline during the 10-year period ending with
19 the date on which the application is filed;

20 (3) the municipality exhibits elevated poverty levels
21 at the time of the application, according to rules adopted
22 by the Department; in evaluating the municipality's

1 poverty level, the Department may examine factors
2 including, but not limited to, census data and the
3 percentage of students residing in the municipality who
4 are eligible for free or reduced-price school lunch;

5 (4) the municipality has experienced a decline in the
6 number of operating business establishments or the number
7 of employed residents during the 10-year period ending
8 with the date on which the application is filed; and

9 (5) the municipality meets any other benchmarks of
10 being economically distressed as set forth by the
11 Department by rule.

12 (b) The ordinance requesting certification as a border
13 community shall set forth a finding that the municipality
14 meets the criteria set forth in subsection (a).

15 (c) Prior to passing an ordinance described in this
16 Section, the municipality shall hold at least one public
17 hearing on the question of whether the municipality shall be
18 certified as a border community. Public notice of the hearing
19 shall be published in at least one newspaper of general
20 circulation within the municipality not more than 20 days nor
21 less than 5 days before the hearing.

22 Section 15. Application to Department.

23 (a) A municipality that has adopted an ordinance
24 requesting certification as a border community shall make
25 written application to the Department to have itself certified

1 as a border community. The application shall include:

2 (1) a certified copy of the ordinance described in
3 Section 10;

4 (2) an analysis, and any appropriate supporting
5 documents, demonstrating that the proposed border
6 community is qualified in accordance with Section 10;

7 (3) a statement setting forth the economic development
8 and planning objectives for the proposed border community;

9 (4) a transcript of all public hearings concerning the
10 municipality's certification as a border community; and

11 (5) any additional information as the Department by
12 rule may require.

13 (b) Within 180 days after receiving an application under
14 this Act, the Department shall either approve or deny that
15 application. If an approval of an application is not received
16 within 180 days after the Department's receipt of the
17 application, then the application is considered to be denied.
18 If an application is denied, the Department shall inform the
19 municipality of the specific reasons for the denial.

20 Section 25. Assessment. The Department, in consultation
21 with the Department of Revenue, shall assess the fiscal impact
22 of the incentives provided to border communities and report to
23 the Governor and the General Assembly by December 31 of each
24 calendar year in which a certified border community is in
25 effect.

1 Section 30. Rulemaking. The Department may adopt rules to
2 implement this Act.

3 Section 900. The Illinois Income Tax Act is amended by
4 changing Sections 201 and 203 and by adding Section 246 as
5 follows:

6 (35 ILCS 5/201)

7 Sec. 201. Tax imposed.

8 (a) In general. A tax measured by net income is hereby
9 imposed on every individual, corporation, trust and estate for
10 each taxable year ending after July 31, 1969 on the privilege
11 of earning or receiving income in or as a resident of this
12 State. Such tax shall be 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 (b) Rates. The tax imposed by subsection (a) of this
16 Section shall be determined as follows, except as adjusted by
17 subsection (d-1):

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

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

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

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

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

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

21 (5.1) In the case of an individual, trust, or estate,
22 for taxable years beginning prior to January 1, 2015, and
23 ending after December 31, 2014, an amount equal to the sum
24 of (i) 5% of the taxpayer's net income for the period prior
25 to January 1, 2015, as calculated under Section 202.5, and
26 (ii) 3.75% of the taxpayer's net income for the period

1 after December 31, 2014, as calculated under Section
2 202.5.

3 (5.2) In the case of an individual, trust, or estate,
4 for taxable years beginning on or after January 1, 2015,
5 and ending prior to July 1, 2017, an amount equal to 3.75%
6 of the taxpayer's net income for the taxable year.

7 (5.3) In the case of an individual, trust, or estate,
8 for taxable years beginning prior to July 1, 2017, and
9 ending after June 30, 2017, an amount equal to the sum of
10 (i) 3.75% of the taxpayer's net income for the period
11 prior to July 1, 2017, as calculated under Section 202.5,
12 and (ii) 4.95% of the taxpayer's net income for the period
13 after June 30, 2017, as calculated under Section 202.5.

14 (5.4) In the case of an individual, trust, or estate,
15 for taxable years beginning on or after July 1, 2017, an
16 amount equal to 4.95% of the taxpayer's net income for the
17 taxable year.

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

21 (7) In the case of a corporation, for taxable years
22 beginning prior to July 1, 1989 and ending after June 30,
23 1989, an amount equal to the sum of (i) 4% of the
24 taxpayer's net income for the period prior to July 1,
25 1989, as calculated under Section 202.3, and (ii) 4.8% of
26 the taxpayer's net income for the period after June 30,

1 1989, as calculated under Section 202.3.

2 (8) In the case of a corporation, for taxable years
3 beginning after June 30, 1989, and ending prior to January
4 1, 2011, an amount equal to 4.8% of the taxpayer's net
5 income for the taxable year.

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

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

17 (11) In the case of a corporation, for taxable years
18 beginning prior to January 1, 2015, and ending after
19 December 31, 2014, an amount equal to the sum of (i) 7% of
20 the taxpayer's net income for the period prior to January
21 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
22 of the taxpayer's net income for the period after December
23 31, 2014, as calculated under Section 202.5.

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

1 net income for the taxable year.

2 (13) In the case of a corporation, for taxable years
3 beginning prior to July 1, 2017, and ending after June 30,
4 2017, an amount equal to the sum of (i) 5.25% of the
5 taxpayer's net income for the period prior to July 1,
6 2017, as calculated under Section 202.5, and (ii) 7% of
7 the taxpayer's net income for the period after June 30,
8 2017, as calculated under Section 202.5.

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

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

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

26 (1) the organization gaming license, organization

1 license, or racetrack property is transferred as a result
2 of any of the following:

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

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

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

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

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

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

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

23 (2) the controlling interest in the organization
24 gaming license, organization license, or racetrack
25 property is transferred in a transaction to lineal
26 descendants in which no gain or loss is recognized or as a

1 result of a transaction in accordance with Section 351 of
2 the Internal Revenue Code in which no gain or loss is
3 recognized; or

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

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

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

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

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

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

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

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

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

23 equals 1.25% for taxable years ending prior to December
24 31, 2003, or 1.75% for taxable years ending on or after
25 December 31, 2003, of the net taxable premiums written for
26 the taxable year, as described by subsection (1) of

1 Section 409 of the Illinois Insurance Code. This paragraph
2 will in no event increase the rates imposed under
3 subsections (b) and (d).

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

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

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

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

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

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

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

24 (A) is tangible, whether new or used, including
25 buildings and structural components of buildings and
26 signs that are real property, but not including land

1 or improvements to real property that are not a
2 structural component of a building such as
3 landscaping, sewer lines, local access roads, fencing,
4 parking lots, and other appurtenances;

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

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

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

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

22 (3) For purposes of this subsection (e),
23 "manufacturing" means the material staging and production
24 of tangible personal property by procedures commonly
25 regarded as manufacturing, processing, fabrication, or
26 assembling which changes some existing material into new

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

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

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

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

25 (7) If during any taxable year, any property ceases to
26 be qualified property in the hands of the taxpayer within

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

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

21 (9) Each taxable year ending before December 31, 2000,
22 a partnership may elect to pass through to its partners
23 the credits to which the partnership is entitled under
24 this subsection (e) for the taxable year. A partner may
25 use the credit allocated to him or her under this
26 paragraph only against the tax imposed in subsections (c)

1 and (d) of this Section. If the partnership makes that
2 election, those credits shall be allocated among the
3 partners in the partnership in accordance with the rules
4 set forth in Section 704(b) of the Internal Revenue Code,
5 and the rules promulgated under that Section, and the
6 allocated amount of the credits shall be allowed to the
7 partners for that taxable year. The partnership shall make
8 this election on its Personal Property Tax Replacement
9 Income Tax return for that taxable year. The election to
10 pass through the credits shall be irrevocable.

11 For taxable years ending on or after December 31,
12 2000, a partner that qualifies its partnership for a
13 subtraction under subparagraph (I) of paragraph (2) of
14 subsection (d) of Section 203 or a shareholder that
15 qualifies a Subchapter S corporation for a subtraction
16 under subparagraph (S) of paragraph (2) of subsection (b)
17 of Section 203 shall be allowed a credit under this
18 subsection (e) equal to its share of the credit earned
19 under this subsection (e) during the taxable year by the
20 partnership or Subchapter S corporation, determined in
21 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. This
24 paragraph is exempt from the provisions of Section 250.

25 (f) Investment credit; Enterprise Zone; River Edge
26 Redevelopment Zone; border community.

1 (1) A taxpayer shall be allowed a credit against the
2 tax imposed by subsections (a) and (b) of this Section for
3 investment in the following qualified property: (1)
4 property that is ~~which is~~ placed in service in an
5 Enterprise Zone created pursuant to the Illinois
6 Enterprise Zone Act; (2) property that is placed in
7 service ~~or, for property placed in service~~ on or after
8 July 1, 2006 in ~~7~~ a River Edge Redevelopment Zone
9 established pursuant to the River Edge Redevelopment Zone
10 Act; or (3) property that is placed in service in a border
11 community certified under the Border Community Act. For
12 partners, shareholders of Subchapter S corporations, and
13 owners of limited liability companies, if the liability
14 company is treated as a partnership for purposes of
15 federal and State income taxation, for taxable years
16 ending before December 31, 2023, there shall be allowed a
17 credit under this subsection (f) to be determined in
18 accordance with the determination of income and
19 distributive share of income under Sections 702 and 704
20 and Subchapter S of the Internal Revenue Code. For taxable
21 years ending on or after December 31, 2023, for partners
22 and shareholders of Subchapter S corporations, the
23 provisions of Section 251 shall apply with respect to the
24 credit under this subsection. The credit shall be .5% of
25 the basis for such property. The credit shall be available
26 only in the taxable year in which the property is placed in

1 service in the Enterprise Zone, ~~or~~ River Edge
2 Redevelopment Zone, or border community and shall not be
3 allowed to the extent that it would reduce a taxpayer's
4 liability for the tax imposed by subsections (a) and (b)
5 of this Section to below zero. For tax years ending on or
6 after December 31, 1985, the credit shall be allowed for
7 the tax year in which the property is placed in service,
8 or, if the amount of the credit exceeds the tax liability
9 for that year, whether it exceeds the original liability
10 or the liability as later amended, such excess may be
11 carried forward and applied to the tax liability of the 5
12 taxable years following the excess credit year. The credit
13 shall be applied to the earliest year for which there is a
14 liability. If there is credit from more than one tax year
15 that is available to offset a liability, the credit
16 accruing first in time shall be applied first.

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

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

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

25 (C) is acquired by purchase as defined in Section
26 179(d) of the Internal Revenue Code;

1 (D) is used in the Enterprise Zone, border
2 community, or River Edge Redevelopment Zone by the
3 taxpayer; and

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

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

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

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

20 (6) If during any taxable year, any property ceases to
21 be qualified property in the hands of the taxpayer within
22 48 months after being placed in service, or the situs of
23 any qualified property is moved outside the Enterprise
24 Zone, border community, or River Edge Redevelopment Zone
25 within 48 months after being placed in service, the tax
26 imposed under subsections (a) and (b) of this Section for

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

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

1 percentage times a fraction, the numerator of which is
2 0.5% and the denominator of which is 1%, but shall not
3 exceed 0.5%.

4 (8) For taxable years beginning on or after January 1,
5 2021, there shall be allowed an Enterprise Zone
6 construction jobs credit against the taxes imposed under
7 subsections (a) and (b) of this Section as provided in
8 Section 13 of the Illinois Enterprise Zone Act.

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

20 For partners, shareholders of Subchapter S
21 corporations, and owners of limited liability companies,
22 if the liability company is treated as a partnership for
23 the purposes of federal and State income taxation, for
24 taxable years ending before December 31, 2023, there shall
25 be allowed a credit under this Section to be determined in
26 accordance with the determination of income and

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

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

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

12 (g) (Blank).

13 (h) Investment credit; High Impact Business.

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

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

1 applied first.

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

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

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

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

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

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

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

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

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

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

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

1 under subsections (a) and (b) of this Section shall be
2 increased for the taxable year in which the taxpayer
3 relocated its facility by an amount equal to the amount of
4 credit received by the taxpayer under this subsection (h).

5 (h-5) High Impact Business construction jobs credit. For
6 taxable years beginning on or after January 1, 2021, there
7 shall also be allowed a High Impact Business construction jobs
8 credit against the tax imposed under subsections (a) and (b)
9 of this Section as provided in subsections (i) and (j) of
10 Section 5.5 of the Illinois Enterprise Zone Act.

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

21 For partners, shareholders of Subchapter S corporations,
22 and owners of limited liability companies, for taxable years
23 ending before December 31, 2023, if the liability company is
24 treated as a partnership for the purposes of federal and State
25 income taxation, there shall be allowed a credit under this
26 Section to be determined in accordance with the determination

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

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

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

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

22 Any credit earned on or after December 31, 1986 under this
23 subsection which is unused in the year the credit is computed
24 because it exceeds the tax liability imposed by subsections
25 (a) and (b) for that year (whether it exceeds the original
26 liability or the liability as later amended) may be carried

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

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

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

1 vocational training in semi-technical or technical fields or
2 semi-skilled or skilled fields, which were deducted from gross
3 income in the computation of taxable income. The credit
4 against the tax imposed by subsections (a) and (b) shall be
5 1.6% of such training expenses. For partners, shareholders of
6 subchapter S corporations, and owners of limited liability
7 companies, if the liability company is treated as a
8 partnership for purposes of federal and State income taxation,
9 for taxable years ending before December 31, 2023, there shall
10 be allowed a credit under this subsection (j) to be determined
11 in accordance with the determination of income and
12 distributive share of income under Sections 702 and 704 and
13 subchapter S of the Internal Revenue Code. For taxable years
14 ending on or after December 31, 2023, for partners and
15 shareholders of Subchapter S corporations, the provisions of
16 Section 251 shall apply with respect to the credit under this
17 subsection.

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

1 tax year ending on or after December 31, 2003.

2 (k) Research and development credit. For tax years ending
3 after July 1, 1990 and prior to December 31, 2003, and
4 beginning again for tax years ending on or after December 31,
5 2004, and ending prior to January 1, 2032, a taxpayer shall be
6 allowed a credit against the tax imposed by subsections (a)
7 and (b) of this Section for increasing research activities in
8 this State. The credit allowed against the tax imposed by
9 subsections (a) and (b) shall be equal to 6 1/2% of the
10 qualifying expenditures for increasing research activities in
11 this State. For partners, shareholders of subchapter S
12 corporations, and owners of limited liability companies, if
13 the liability company is treated as a partnership for purposes
14 of federal and State income taxation, for taxable years ending
15 before December 31, 2023, there shall be allowed a credit
16 under this subsection to be determined in accordance with the
17 determination of income and distributive share of income under
18 Sections 702 and 704 and subchapter S of the Internal Revenue
19 Code. For taxable years ending on or after December 31, 2023,
20 for partners and shareholders of Subchapter S corporations,
21 the provisions of Section 251 shall apply with respect to the
22 credit under this subsection.

23 For purposes of this subsection, "qualifying expenditures"
24 means the qualifying expenditures as defined for the federal
25 credit for increasing research activities which would be
26 allowable under Section 41 of the Internal Revenue Code and

1 which are conducted in this State, "qualifying expenditures
2 for increasing research activities in this State" means the
3 excess of qualifying expenditures for the taxable year in
4 which incurred over qualifying expenditures for the base
5 period, "qualifying expenditures for the base period" means
6 the average of the qualifying expenditures for each year in
7 the base period, and "base period" means the 3 taxable years
8 immediately preceding the taxable year for which the
9 determination is being made.

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

18 If an unused credit is carried forward to a given year from
19 2 or more earlier years, that credit arising in the earliest
20 year will be applied first against the tax liability for the
21 given year. If a tax liability for the given year still
22 remains, the credit from the next earliest year will then be
23 applied, and so on, until all credits have been used or no tax
24 liability for the given year remains. Any remaining unused
25 credit or credits then will be carried forward to the next
26 following year in which a tax liability is incurred, except

1 that no credit can be carried forward to a year which is more
2 than 5 years after the year in which the expense for which the
3 credit is given was incurred.

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

7 It is the intent of the General Assembly that the research
8 and development credit under this subsection (k) shall apply
9 continuously for all tax years ending on or after December 31,
10 2004 and ending prior to January 1, 2032, including, but not
11 limited to, the period beginning on January 1, 2016 and ending
12 on July 6, 2017 (the effective date of Public Act 100-22). All
13 actions taken in reliance on the continuation of the credit
14 under this subsection (k) by any taxpayer are hereby
15 validated.

16 (l) Environmental Remediation Tax Credit.

17 (i) For tax years ending after December 31, 1997 and
18 on or before December 31, 2001, a taxpayer shall be
19 allowed a credit against the tax imposed by subsections
20 (a) and (b) of this Section for certain amounts paid for
21 unreimbursed eligible remediation costs, as specified in
22 this subsection. For purposes of this Section,
23 "unreimbursed eligible remediation costs" means costs
24 approved by the Illinois Environmental Protection Agency
25 ("Agency") under Section 58.14 of the Environmental
26 Protection Act that were paid in performing environmental

1 remediation at a site for which a No Further Remediation
2 Letter was issued by the Agency and recorded under Section
3 58.10 of the Environmental Protection Act. The credit must
4 be claimed for the taxable year in which Agency approval
5 of the eligible remediation costs is granted. The credit
6 is not available to any taxpayer if the taxpayer or any
7 related party caused or contributed to, in any material
8 respect, a release of regulated substances on, in, or
9 under the site that was identified and addressed by the
10 remedial action pursuant to the Site Remediation Program
11 of the Environmental Protection Act. After the Pollution
12 Control Board rules are adopted pursuant to the Illinois
13 Administrative Procedure Act for the administration and
14 enforcement of Section 58.9 of the Environmental
15 Protection Act, determinations as to credit availability
16 for purposes of this Section shall be made consistent with
17 those rules. For purposes of this Section, "taxpayer"
18 includes a person whose tax attributes the taxpayer has
19 succeeded to under Section 381 of the Internal Revenue
20 Code and "related party" includes the persons disallowed a
21 deduction for losses by paragraphs (b), (c), and (f)(1) of
22 Section 267 of the Internal Revenue Code by virtue of
23 being a related taxpayer, as well as any of its partners.
24 The credit allowed against the tax imposed by subsections
25 (a) and (b) shall be equal to 25% of the unreimbursed
26 eligible remediation costs in excess of \$100,000 per site,

1 except that the \$100,000 threshold shall not apply to any
2 site contained in an enterprise zone as determined by the
3 Department of Commerce and Community Affairs (now
4 Department of Commerce and Economic Opportunity). The
5 total credit allowed shall not exceed \$40,000 per year
6 with a maximum total of \$150,000 per site. For partners
7 and shareholders of subchapter S corporations, there shall
8 be allowed a credit under this subsection to be determined
9 in 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.

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

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

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

15 (m) Education expense credit. Beginning with tax years
16 ending after December 31, 1999, a taxpayer who is the
17 custodian of one or more qualifying pupils shall be allowed a
18 credit against the tax imposed by subsections (a) and (b) of
19 this Section for qualified education expenses incurred on
20 behalf of the qualifying pupils. The credit shall be equal to
21 25% of qualified education expenses, but in no event may the
22 total credit under this subsection claimed by a family that is
23 the custodian of qualifying pupils exceed (i) \$500 for tax
24 years ending prior to December 31, 2017, and (ii) \$750 for tax
25 years ending on or after December 31, 2017. In no event shall a
26 credit under this subsection reduce the taxpayer's liability

1 under this Act to less than zero. Notwithstanding any other
2 provision of law, for taxable years beginning on or after
3 January 1, 2017, no taxpayer may claim a credit under this
4 subsection (m) if the taxpayer's adjusted gross income for the
5 taxable year exceeds (i) \$500,000, in the case of spouses
6 filing a joint federal tax return or (ii) \$250,000, in the case
7 of all other taxpayers. This subsection is exempt from the
8 provisions of Section 250 of this Act.

9 For purposes of this subsection:

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

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

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

1 for the credit under this Section.

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

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

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

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

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

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

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

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

26 (1) the medical cannabis cultivation center

1 registration, medical cannabis dispensary registration, or
2 the property of a registration is transferred as a result
3 of any of the following:

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

8 (B) cancellation, revocation, or termination of
9 any registration by the Illinois Department of Public
10 Health;

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

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

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

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

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

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

8 (p) Pass-through entity tax.

9 (1) For taxable years ending on or after December 31,
10 2021, a partnership (other than a publicly traded
11 partnership under Section 7704 of the Internal Revenue
12 Code) or Subchapter S corporation may elect to apply the
13 provisions of this subsection. A separate election shall
14 be made for each taxable year. Such election shall be made
15 at such time, and in such form and manner as prescribed by
16 the Department, and, once made, is irrevocable.

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

23 (3) Net income defined.

24 (A) In general. For purposes of paragraph (2), the
25 term net income has the same meaning as defined in
26 Section 202 of this Act, except that, for tax years

1 ending on or after December 31, 2023, a deduction
2 shall be allowed in computing base income for
3 distributions to a retired partner to the extent that
4 the partner's distributions are exempt from tax under
5 Section 203(a)(2)(F) of this Act. In addition, the
6 following modifications shall not apply:

7 (i) the standard exemption allowed under
8 Section 204;

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

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

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

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

26 (4) Credit for entity level tax. Each partner or

1 shareholder of a taxpayer making the election under this
2 Section shall be allowed a credit against the tax imposed
3 under subsections (a) and (b) of Section 201 of this Act
4 for the taxable year of the partnership or Subchapter S
5 corporation for which an election is in effect ending
6 within or with the taxable year of the partner or
7 shareholder in an amount equal to 4.95% times the partner
8 or shareholder's distributive share of the net income of
9 the electing partnership or Subchapter S corporation, but
10 not to exceed the partner's or shareholder's share of the
11 tax imposed under paragraph (1) which is actually paid by
12 the partnership or Subchapter S corporation. If the
13 taxpayer is a partnership or Subchapter S corporation that
14 is itself a partner of a partnership making the election
15 under paragraph (1), the credit under this paragraph shall
16 be allowed to the taxpayer's partners or shareholders (or
17 if the partner is a partnership or Subchapter S
18 corporation then its partners or shareholders) in
19 accordance with the determination of income and
20 distributive share of income under Sections 702 and 704
21 and Subchapter S of the Internal Revenue Code. If the
22 amount of the credit allowed under this paragraph exceeds
23 the partner's or shareholder's liability for tax imposed
24 under subsections (a) and (b) of Section 201 of this Act
25 for the taxable year, such excess shall be treated as an
26 overpayment for purposes of Section 909 of this Act.

1 (5) Nonresidents. A nonresident individual who is a
2 partner or shareholder of a partnership or Subchapter S
3 corporation for a taxable year for which an election is in
4 effect under paragraph (1) shall not be required to file
5 an income tax return under this Act for such taxable year
6 if the only source of net income of the individual (or the
7 individual and the individual's spouse in the case of a
8 joint return) is from an entity making the election under
9 paragraph (1) and the credit allowed to the partner or
10 shareholder under paragraph (4) equals or exceeds the
11 individual's liability for the tax imposed under
12 subsections (a) and (b) of Section 201 of this Act for the
13 taxable year.

14 (6) Liability for tax. Except as provided in this
15 paragraph, a partnership or Subchapter S making the
16 election under paragraph (1) is liable for the
17 entity-level tax imposed under paragraph (2). If the
18 electing partnership or corporation fails to pay the full
19 amount of tax deemed assessed under paragraph (2), the
20 partners or shareholders shall be liable to pay the tax
21 assessed (including penalties and interest). Each partner
22 or shareholder shall be liable for the unpaid assessment
23 based on the ratio of the partner's or shareholder's share
24 of the net income of the partnership over the total net
25 income of the partnership. If the partnership or
26 Subchapter S corporation fails to pay the tax assessed

1 (including penalties and interest) and thereafter an
2 amount of such tax is paid by the partners or
3 shareholders, such amount shall not be collected from the
4 partnership or corporation.

5 (7) Foreign tax. For purposes of the credit allowed
6 under Section 601(b)(3) of this Act, tax paid by a
7 partnership or Subchapter S corporation to another state
8 which, as determined by the Department, is substantially
9 similar to the tax imposed under this subsection, shall be
10 considered tax paid by the partner or shareholder to the
11 extent that the partner's or shareholder's share of the
12 income of the partnership or Subchapter S corporation
13 allocated and apportioned to such other state bears to the
14 total income of the partnership or Subchapter S
15 corporation allocated or apportioned to such other state.

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

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

26 (10) The provisions of this subsection shall apply

1 only with respect to taxable years for which the
2 limitation on individual deductions applies under Section
3 164(b)(6) of the Internal Revenue Code.

4 (Source: P.A. 103-9, eff. 6-7-23; 103-396, eff. 1-1-24;
5 103-595, eff. 6-26-24; 103-605, eff. 7-1-24; 104-453, eff.
6 12-12-25.)

7 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

8 Sec. 203. Base income defined.

9 (a) Individuals.

10 (1) In general. In the case of an individual, base
11 income means an amount equal to the taxpayer's adjusted
12 gross income for the taxable year as modified by paragraph
13 (2).

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

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

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 adjusted gross income for the
2 taxable year;

3 (C) An amount equal to the amount received during
4 the taxable year as a recovery or refund of real
5 property taxes paid with respect to the taxpayer's
6 principal residence under the Revenue Act of 1939 and
7 for which a deduction was previously taken under
8 subparagraph (L) of this paragraph (2) prior to July
9 1, 1991, the retrospective application date of Article
10 4 of Public Act 87-17. In the case of multi-unit or
11 multi-use structures and farm dwellings, the taxes on
12 the taxpayer's principal residence shall be that
13 portion of the total taxes for the entire property
14 which is attributable to such principal residence;

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

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

1 2000;

2 (D-10) For taxable years ending after December 31,
3 1997, an amount equal to any eligible remediation
4 costs that the individual deducted in computing
5 adjusted gross income and for which the individual
6 claims a credit under subsection (l) of Section 201;

7 (D-15) For taxable years 2001 through 2025, an
8 amount equal to the bonus depreciation deduction taken
9 on the taxpayer's federal income tax return for the
10 taxable year under subsection (k) of Section 168 of
11 the Internal Revenue Code; for taxable years 2026 and
12 thereafter, an amount equal to the bonus depreciation
13 deduction taken on the taxpayer's federal income tax
14 return for the taxable year under subsection (k) or
15 (n) of Section 168 of the Internal Revenue Code;

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

23 If the taxpayer continues to own property through
24 the last day of the last tax year for which a
25 subtraction is allowed with respect to that property
26 under subparagraph (Z) and for which the taxpayer was

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

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

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

1 taxpayer's unitary business group (including amounts
2 included in gross income under Sections 951 through
3 964 of the Internal Revenue Code and amounts included
4 in gross income under Section 78 of the Internal
5 Revenue Code) with respect to the stock of the same
6 person to whom the interest was paid, accrued, or
7 incurred. For taxable years ending on and after
8 December 31, 2025, for purposes of applying this
9 paragraph in the case of a taxpayer to which Section
10 163(j) of the Internal Revenue Code applies for the
11 taxable year, the reduction in the amount of interest
12 for which a deduction is allowed by reason of Section
13 163(j) shall be treated as allocable first to persons
14 who are not foreign persons referred to in this
15 paragraph and then to such foreign persons.

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

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

24 (ii) 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 For taxable years ending on or after December 31,
2 2025, 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 if
5 the taxpayer can establish, based on a
6 preponderance of the evidence, both of the
7 following:

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

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

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

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

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

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

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

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

3 (i) any item of intangible expenses or costs
4 paid, accrued, or incurred, directly or
5 indirectly, from a transaction with 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 item; or

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

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

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

26 (iii) any item of intangible expense or cost

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

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

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

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

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

1 (ii) any item of intangible expense or cost
2 paid, accrued, or incurred, directly or
3 indirectly, from a transaction with a person if
4 the taxpayer establishes by clear and convincing
5 evidence, that the adjustments are unreasonable;
6 or if the taxpayer and the Director agree in
7 writing to the application or use of an
8 alternative method of apportionment under Section
9 304(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 (D-19) For taxable years ending on or after
20 December 31, 2008, an amount equal to the amount of
21 insurance premium expenses and costs otherwise allowed
22 as a deduction in computing base income, and that were
23 paid, accrued, or incurred, directly or indirectly, to
24 a person who would be a member of the same unitary
25 business group but for the fact that the person is
26 prohibited under Section 1501(a)(27) from being

1 included in the unitary business group because he or
2 she is ordinarily required to apportion business
3 income under different subsections of Section 304. The
4 addition modification required by this subparagraph
5 shall be reduced to the extent that dividends were
6 included in base income of the unitary group for the
7 same taxable year and received by the taxpayer or by a
8 member of the taxpayer's unitary business group
9 (including amounts included in gross income under
10 Sections 951 through 964 of the Internal Revenue Code
11 and amounts included in gross income under Section 78
12 of the Internal Revenue Code) with respect to the
13 stock of the same person to whom the premiums and costs
14 were directly or indirectly paid, incurred, or
15 accrued. The preceding sentence does not apply to the
16 extent that the same dividends caused a reduction to
17 the addition modification required under Section
18 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this
19 Act;

20 (D-20) For taxable years beginning on or after
21 January 1, 2002 and ending on or before December 31,
22 2006, in the case of a distribution from a qualified
23 tuition program under Section 529 of the Internal
24 Revenue Code, other than (i) a distribution from a
25 College Savings Pool created under Section 16.5 of the
26 State Treasurer Act or (ii) a distribution from the

1 Illinois Prepaid Tuition Trust Fund, an amount equal
2 to the amount excluded from gross income under Section
3 529(c)(3)(B). For taxable years beginning on or after
4 January 1, 2007, in the case of a distribution from a
5 qualified tuition program under Section 529 of the
6 Internal Revenue Code, other than (i) a distribution
7 from a College Savings Pool created under Section 16.5
8 of the State Treasurer Act, (ii) a distribution from
9 the Illinois Prepaid Tuition Trust Fund, or (iii) a
10 distribution from a qualified tuition program under
11 Section 529 of the Internal Revenue Code that (I)
12 adopts and determines that its offering materials
13 comply with the College Savings Plans Network's
14 disclosure principles and (II) has made reasonable
15 efforts to inform in-state residents of the existence
16 of in-state qualified tuition programs by informing
17 Illinois residents directly and, where applicable, to
18 inform financial intermediaries distributing the
19 program to inform in-state residents of the existence
20 of in-state qualified tuition programs at least
21 annually, an amount equal to the amount excluded from
22 gross income under Section 529(c)(3)(B).

23 For the purposes of this subparagraph (D-20), a
24 qualified tuition program has made reasonable efforts
25 if it makes disclosures (which may use the term
26 "in-state program" or "in-state plan" and need not

1 specifically refer to Illinois or its qualified
2 programs by name) (i) directly to prospective
3 participants in its offering materials or makes a
4 public disclosure, such as a website posting; and (ii)
5 where applicable, to intermediaries selling the
6 out-of-state program in the same manner that the
7 out-of-state program distributes its offering
8 materials;

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

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

24 (D-21.5) For taxable years beginning on or after
25 January 1, 2018, in the case of the transfer of moneys
26 from a qualified tuition program under Section 529 or

1 a qualified ABLE program under Section 529A of the
2 Internal Revenue Code that is administered by this
3 State to an ABLE account established under an
4 out-of-state ABLE account program, an amount equal to
5 the contribution component of the transferred amount
6 that was previously deducted from base income under
7 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this
8 Section;

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

1 contribution component of the nonqualified withdrawal
2 or refund that was previously deducted from base
3 income under subsection (a) (2) (Y) of this Section, and
4 (2) in the case of a nonqualified withdrawal or refund
5 from a qualified ABLE program under Section 529A of
6 the Internal Revenue Code administered by the State
7 that is not used for qualified disability expenses, an
8 amount equal to the contribution component of the
9 nonqualified withdrawal or refund that was previously
10 deducted from base income under subsection (a) (2) (HH)
11 of this Section;

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

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

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

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

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

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

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

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

16 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

24 (P) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code or of any itemized deduction
3 taken from adjusted gross income in the computation of
4 taxable income for restoration of substantial amounts
5 held under claim of right for the taxable year;

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

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

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

22 (T) An amount, to the extent included in adjusted
23 gross income, equal to the amount of interest earned
24 in the taxable year on a medical care savings account
25 established under the Medical Care Savings Account Act
26 or the Medical Care Savings Account Act of 2000 on

1 behalf of the taxpayer, other than interest added
2 pursuant to item (D-5) of this paragraph (2);

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

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

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

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

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

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

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

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

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

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

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

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

9 (3) for taxable years ending after December
10 31, 2005:

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

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

20 (iii) for property on which a bonus
21 depreciation deduction of 100% of the adjusted
22 basis was taken in a taxable year ending on or
23 after December 31, 2021, "x" equals the
24 depreciation deduction that would be allowed
25 on that property if the taxpayer had made the
26 election under Section 168(k)(7) or Section

1 168(n)(6) of the Internal Revenue Code to not
2 claim bonus depreciation on that property; and
3 (iv) for property on which a bonus
4 depreciation deduction of a percentage other
5 than 30%, 50% or 100% of the adjusted basis
6 was taken in a taxable year ending on or after
7 December 31, 2021, "x" equals "y" multiplied
8 by 100 times the percentage bonus depreciation
9 on the property (that is, $100(\text{bonus}\%)$) and
10 then divided by 100 times 1 minus the
11 percentage bonus depreciation on the property
12 (that is, $100(1-\text{bonus}\%)$).

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

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

26 If the taxpayer continues to own property through

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

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

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

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

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

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

6 (DD) An amount equal to the interest income taken
7 into account for the taxable year (net of the
8 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(a)(2)(D-17) for interest paid, accrued, or
24 incurred, directly or indirectly, to the same person.
25 This subparagraph (DD) is exempt from the provisions
26 of Section 250;

1 (EE) An amount equal to the income from intangible
2 property taken into account for the taxable year (net
3 of the deductions allocable thereto) with respect to
4 transactions with (i) a foreign person who would be a
5 member of the taxpayer's unitary business group but
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(a)(2)(D-18) for intangible expenses and costs
19 paid, accrued, or incurred, directly or indirectly, to
20 the same foreign person. This subparagraph (EE) is
21 exempt from the provisions of Section 250;

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

1 provisions of Section 250;

2 (GG) For taxable years ending on or after December
3 31, 2011, in the case of a taxpayer who was required to
4 add back any insurance premiums under Section
5 203(a)(2)(D-19), such taxpayer may elect to subtract
6 that part of a reimbursement received from the
7 insurance company equal to the amount of the expense
8 or loss (including expenses incurred by the insurance
9 company) that would have been taken into account as a
10 deduction for federal income tax purposes if the
11 expense or loss had been uninsured. If a taxpayer
12 makes the election provided for by this subparagraph
13 (GG), the insurer to which the premiums were paid must
14 add back to income the amount subtracted by the
15 taxpayer pursuant to this subparagraph (GG). This
16 subparagraph (GG) is exempt from the provisions of
17 Section 250;

18 (HH) For taxable years beginning on or after
19 January 1, 2018 and prior to January 1, 2028, a maximum
20 of \$10,000 contributed in the taxable year to a
21 qualified ABLE account under Section 16.6 of the State
22 Treasurer Act, except that amounts excluded from gross
23 income under Section 529(c)(3)(C)(i) or Section
24 529A(c)(1)(C) of the Internal Revenue Code shall not
25 be considered moneys contributed under this
26 subparagraph (HH). For purposes of this subparagraph

1 (HH), contributions made by an employer on behalf of
2 an employee, or matching contributions made by an
3 employee, shall be treated as made by the employee;

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

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

26 (KK) To the extent includible in gross income for

1 federal income tax purposes, any amount awarded or
2 paid to the taxpayer as a result of a judgment or
3 settlement for fertility fraud as provided in Section
4 15 of the Illinois Fertility Fraud Act, donor
5 fertility fraud as provided in Section 20 of the
6 Illinois Fertility Fraud Act, or similar action in
7 another state;

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

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

20 (MM) For taxable years beginning on or after
21 January 1, 2025, if the taxpayer is an eligible
22 resident as defined in the Medical Debt Relief Act, an
23 amount equal to the amount included in the taxpayer's
24 federal adjusted gross income that is attributable to
25 medical debt relief received by the taxpayer during
26 the taxable year from a nonprofit medical debt relief

1 coordinator under the provisions of the Medical Debt
2 Relief Act. This subparagraph (MM) is exempt from the
3 provisions of Section 250.

4 (b) Corporations.

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

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

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

20 (C) In the case of a regulated investment company,
21 an amount equal to the excess of (i) the net long-term
22 capital gain for the taxable year, over (ii) the
23 amount of the capital gain dividends designated as
24 such in accordance with Section 852(b)(3)(C) of the
25 Internal Revenue Code and any amount designated under

1 Section 852(b)(3)(D) of the Internal Revenue Code,
2 attributable to the taxable year (this amendatory Act
3 of 1995 (Public Act 89-89) is declarative of existing
4 law and is not a new enactment);

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

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

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

1 (ii) 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 not exceed the amount of
5 such carryback or carryforward;

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

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

18 (E-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;

1 (E-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 (E-10), then
5 an amount equal to the aggregate amount of the
6 deductions taken in all taxable years under
7 subparagraph (T) 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 (T) and for which the taxpayer was
12 allowed in any taxable year to make a subtraction
13 modification under subparagraph (T), 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 (E-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 the foreign person's business activity outside
25 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 (E-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(b)(2)(E-12) of
24 this Act. As used in this subparagraph, the term
25 "intangible expenses and costs" includes (1) expenses,
26 losses, and costs for, or related to, the direct or

1 indirect acquisition, use, maintenance or management,
2 ownership, sale, exchange, or any other disposition of
3 intangible property; (2) losses incurred, directly or
4 indirectly, from factoring transactions or discounting
5 transactions; (3) royalty, patent, technical, and
6 copyright fees; (4) licensing fees; and (5) other
7 similar expenses and costs. For purposes of this
8 subparagraph, "intangible property" includes patents,
9 patent applications, trade names, trademarks, service
10 marks, copyrights, mask works, trade secrets, and
11 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 (E-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(b)(2)(E-12) or Section 203(b)(2)(E-13) of this
4 Act;

5 (E-15) For taxable years beginning after December
6 31, 2008, any deduction for dividends paid by a
7 captive real estate investment trust that is allowed
8 to a real estate investment trust under Section
9 857(b)(2)(B) of the Internal Revenue Code for
10 dividends paid;

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

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

19 (E-18) for taxable years beginning after December
20 31, 2018, an amount equal to the deduction allowed
21 under Section 250(a)(1)(A) of the Internal Revenue
22 Code for the taxable year;

23 (E-19) for taxable years ending on or after June
24 30, 2021, an amount equal to the deduction allowed
25 under Section 250(a)(1)(B)(i) of the Internal Revenue
26 Code for the taxable year;

1 (E-20) for taxable years ending on or after June
2 30, 2021, an amount equal to the deduction allowed
3 under Sections 243(e) and 245A(a) of the Internal
4 Revenue Code for the taxable year;

5 (E-21) the amount that is claimed as a federal
6 deduction when computing the taxpayer's federal
7 taxable income for the taxable year and that is
8 attributable to an endowment gift for which the
9 taxpayer receives a credit under the Illinois Gives
10 Tax Credit Act;

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

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

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

18 (H) In the case of a regulated investment company,
19 an amount equal to the amount of exempt interest
20 dividends as defined in subsection (b)(5) of Section
21 852 of the Internal Revenue Code, paid to shareholders
22 for the taxable year;

23 (I) With the exception of any amounts subtracted
24 under subparagraph (J), an amount equal to the sum of
25 all amounts disallowed as deductions by (i) Sections
26 171(a)(2) and 265(a)(2) and amounts disallowed as

1 interest expense by Section 291(a)(3) of the Internal
2 Revenue Code, and all amounts of expenses allocable to
3 interest and disallowed as deductions by Section
4 265(a)(1) of the Internal Revenue Code; and (ii) for
5 taxable years ending on or after August 13, 1999,
6 Sections 171(a)(2), 265, 280C, 291(a)(3), and
7 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
8 for tax years ending on or after December 31, 2011,
9 amounts disallowed as deductions by Section 45G(e)(3)
10 of 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 and the policyholders' share of
14 tax-exempt interest of a life insurance company under
15 Section 807(a)(2)(B) of the Internal Revenue Code (in
16 the case of a life insurance company with gross income
17 from a decrease in reserves for the tax year) or
18 Section 807(b)(1)(B) of the Internal Revenue Code (in
19 the case of a life insurance company allowed a
20 deduction for an increase in reserves for the tax
21 year); the provisions of this subparagraph are exempt
22 from the provisions of Section 250;

23 (J) An amount equal to all amounts included in
24 such total which are exempt from taxation by this
25 State either by reason of its statutes or Constitution
26 or by reason of the Constitution, treaties or statutes

1 of the United States; provided that, in the case of any
2 statute of this State that exempts income derived from
3 bonds or other obligations from the tax imposed under
4 this Act, the amount exempted shall be the interest
5 net of bond premium amortization;

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

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

23 (M) For any taxpayer that is a financial
24 organization within the meaning of Section 304(c) of
25 this Act, an amount included in such total as interest
26 income from a loan or loans made by such taxpayer to a

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

20 (M-1) For any taxpayer that is a financial
21 organization within the meaning of Section 304(c) of
22 this Act, an amount included in such total as interest
23 income from a loan or loans made by such taxpayer to a
24 borrower, to the extent that such a loan is secured by
25 property which is eligible for the High Impact
26 Business Investment Credit. To determine the portion

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

20 (N) Two times any contribution made during the
21 taxable year to a designated zone organization to the
22 extent that the contribution (i) qualifies as a
23 charitable contribution under subsection (c) of
24 Section 170 of the Internal Revenue Code and (ii)
25 must, by its terms, be used for a project approved by
26 the Department of Commerce and Economic Opportunity

1 under Section 11 of the Illinois Enterprise Zone Act
2 or under Section 10-10 of the River Edge Redevelopment
3 Zone Act. This subparagraph (N) is exempt from the
4 provisions of Section 250;

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

1 deemed paid under Sections 951 through 964 of the
2 Internal Revenue Code and including, for taxable years
3 ending on or after December 31, 2008, dividends
4 received from a captive real estate investment trust,
5 from any such corporation specified in clause (i) that
6 would but for the provisions of Section 1504(b)(3) of
7 the Internal Revenue Code be treated as a member of the
8 affiliated group which includes the dividend
9 recipient, exceed the amount of the modification
10 provided under subparagraph (G) of paragraph (2) of
11 this subsection (b) which is related to such
12 dividends. For taxable years ending on or after June
13 30, 2021, (i) for purposes of this subparagraph, the
14 term "dividend" does not include any amount treated as
15 a dividend under Section 1248 of the Internal Revenue
16 Code, and (ii) this subparagraph shall not apply to
17 dividends for which a deduction is allowed under
18 Section 245(a) of the Internal Revenue Code. For
19 taxable years ending on or after December 31, 2025,
20 50% of the amount of global intangible low-taxed
21 income or net controlled foreign corporation (CFC)
22 tested income received or deemed received or paid or
23 deemed paid under Sections 951 through 965 of the
24 Internal Revenue Code. This subparagraph (O) is exempt
25 from the provisions of Section 250 of this Act;

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

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

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

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

21 (S) For taxable years ending on or after December
22 31, 1997, in the case of a Subchapter S corporation, an
23 amount equal to all amounts of income allocable to a
24 shareholder subject to the Personal Property Tax
25 Replacement Income Tax imposed by subsections (c) and
26 (d) of Section 201 of this Act, including amounts

1 allocable to organizations exempt from federal income
2 tax by reason of Section 501(a) of the Internal
3 Revenue Code. This subparagraph (S) is exempt from the
4 provisions of Section 250;

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

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

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

22 (3) for taxable years ending after December
23 31, 2005:

24 (i) for property on which a bonus
25 depreciation deduction of 30% of the adjusted
26 basis was taken, "x" equals "y" multiplied by

1 30 and then divided by 70 (or "y" multiplied
2 by 0.429);

3 (ii) for property on which a bonus
4 depreciation deduction of 50% of the adjusted
5 basis was taken, "x" equals "y" multiplied by
6 1.0;

7 (iii) for property on which a bonus
8 depreciation deduction of 100% of the adjusted
9 basis was taken in a taxable year ending on or
10 after December 31, 2021, "x" equals the
11 depreciation deduction that would be allowed
12 on that property if the taxpayer had made the
13 election under Section 168(k)(7) or Section
14 168(n)(6) of the Internal Revenue Code to not
15 claim bonus depreciation on that property; and

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

26 The aggregate amount deducted under this

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

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

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

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

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

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

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

24 (W) An amount equal to the interest income taken
25 into account for the taxable year (net of the
26 deductions allocable thereto) with respect to

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

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

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

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

1 taxpayer pursuant to this subparagraph (Y). This
2 subparagraph (Y) is exempt from the provisions of
3 Section 250;

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

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

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

1 this Act, an amount included in such total as interest
2 income from a loan or loans made by the taxpayer to a
3 borrower, to the extent that the a loan is secured by
4 property which is located in a border community
5 certified under the Border Community Act. To determine
6 the portion of a loan or loans that is secured by
7 property eligible for a Section 201(f) investment
8 credit to the borrower, the entire principal amount of
9 the loan or loans between the taxpayer and the
10 borrower should be divided into the basis of the
11 Section 201(f) investment credit property which
12 secures the loan or loans, using for this purpose the
13 original basis of such property on the date that it was
14 placed in service in the border community. The
15 subtraction modification available to the taxpayer in
16 any year under this subsection shall be that portion
17 of the total interest paid by the borrower with
18 respect to such loan attributable to the eligible
19 property as calculated under the previous sentence.
20 This subparagraph (BB) is exempt from the provisions
21 of Section 250.

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

1 ending on or after December 31, 2011, shall mean all
2 amounts included in life insurance gross income under
3 Section 803(a)(3) of the Internal Revenue Code.

4 (c) Trusts and estates.

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

8 (2) Modifications. Subject to the provisions of
9 paragraph (3), the taxable income referred to in paragraph
10 (1) shall be modified by adding thereto the sum of the
11 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) In the case of (i) an estate, \$600; (ii) a
17 trust which, under its governing instrument, is
18 required to distribute all of its income currently,
19 \$300; and (iii) any other trust, \$100, but in each such
20 case, only to the extent such amount was deducted in
21 the computation of taxable income;

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

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

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

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

23 (ii) the addition modification relating to the
24 net operating loss carried back or forward to the
25 taxable year from any taxable year ending prior to
26 December 31, 1986 shall not exceed the amount of

1 such carryback or carryforward;

2 For taxable years in which there is a net
3 operating loss carryback or carryforward from more
4 than one other taxable year ending prior to December
5 31, 1986, the addition modification provided in this
6 subparagraph (E) shall be the sum of the amounts
7 computed independently under the preceding provisions
8 of this subparagraph (E) for each such taxable year;

9 (F) For taxable years ending on or after January
10 1, 1989, an amount equal to the tax deducted pursuant
11 to Section 164 of the Internal Revenue Code if the
12 trust or estate is claiming the same tax for purposes
13 of the Illinois foreign tax credit under Section 601
14 of this Act;

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

19 (G-5) For taxable years ending after December 31,
20 1997, an amount equal to any eligible remediation
21 costs that the trust or estate deducted in computing
22 adjusted gross income and for which the trust or
23 estate claims a credit under subsection (1) of Section
24 201;

25 (G-10) For taxable years 2001 through 2025, an
26 amount equal to the bonus depreciation deduction taken

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (a) the person, during the same taxable

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

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

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

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

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

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

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

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

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

1 with respect to such item; or

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

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

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

18 (iii) any item of intangible expense or cost
19 paid, accrued, or incurred, directly or
20 indirectly, from a transaction with a person if
21 the taxpayer establishes by clear and convincing
22 evidence, that the adjustments are unreasonable;
23 or if the taxpayer and the Director agree in
24 writing to the application or use of an
25 alternative method of apportionment under Section
26 304(f);

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

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

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

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

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

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

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

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

1 following amounts:

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

13 (I) The valuation limitation amount;

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

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

1 premium amortization;

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

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

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

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

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

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

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

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

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

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

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

16 (3) for taxable years ending after December
17 31, 2005:

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

23 (ii) for property on which a bonus
24 depreciation deduction of 50% of the adjusted
25 basis was taken, "x" equals "y" multiplied by
26 1.0;

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

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

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

1 Section 250;

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

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

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

17 This subparagraph (S) is exempt from the
18 provisions of Section 250;

19 (T) 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 such 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 such
8 addition modification. This subparagraph (T) is exempt
9 from the provisions of Section 250;

10 (U) 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 the foreign person's business activity
16 outside the United States is 80% or more of that
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304, but not to exceed the
25 addition modification required to be made for the same
26 taxable year under Section 203(c)(2)(G-12) for

1 interest paid, accrued, or incurred, directly or
2 indirectly, to the same person. This subparagraph (U)
3 is exempt from the provisions of Section 250;

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

25 (W) in the case of an estate, an amount equal to
26 all amounts included in such total pursuant to the

1 provisions of Section 111 of the Internal Revenue Code
2 as a recovery of items previously deducted by the
3 decedent from adjusted gross income in the computation
4 of taxable income. This subparagraph (W) is exempt
5 from Section 250;

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

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

1 (Z) For taxable years beginning after December 31,
2 2018, the amount of excess business loss of the
3 taxpayer disallowed as a deduction by Section
4 461(1)(1)(B) of the Internal Revenue Code; and

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

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

25 (d) Partnerships.

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

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

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

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

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

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

22 (D-5) For taxable years 2001 through 2025, an
23 amount equal to the bonus depreciation deduction taken
24 on the taxpayer's federal income tax return for the
25 taxable year under subsection (k) of Section 168 of
26 the Internal Revenue Code; for taxable years 2026 and

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

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

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

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

22 (D-7) An amount equal to the amount otherwise
23 allowed as a deduction in computing base income for
24 interest paid, accrued, or incurred, directly or
25 indirectly, (i) for taxable years ending on or after
26 December 31, 2004, to a foreign person who would be a

1 member of the same unitary business group but for the
2 fact the foreign person's business activity outside
3 the United States is 80% or more of the foreign
4 person's total business activity and (ii) for taxable
5 years ending on or after December 31, 2008, to a person
6 who would be a member of the same unitary business
7 group but for the fact that the person is prohibited
8 under Section 1501(a)(27) from being included in the
9 unitary business group because he or she is ordinarily
10 required to apportion business income under different
11 subsections of Section 304. The addition modification
12 required by this subparagraph shall be reduced to the
13 extent that dividends were included in base income of
14 the unitary group for the same taxable year and
15 received by the taxpayer or by a member of the
16 taxpayer's unitary business group (including amounts
17 included in gross income pursuant to Sections 951
18 through 964 of the Internal Revenue Code and amounts
19 included in gross income under Section 78 of the
20 Internal Revenue Code) with respect to the stock of
21 the same person to whom the interest was paid,
22 accrued, or incurred. For taxable years ending on and
23 after December 31, 2025, for purposes of applying this
24 paragraph in the case of a taxpayer to which Section
25 163(j) of the Internal Revenue Code applies for the
26 taxable year, the reduction in the amount of interest

1 for which a deduction is allowed by reason of Section
2 163(j) shall be treated as allocable first to persons
3 who are not foreign persons referred to in this
4 paragraph and then to such foreign persons.

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

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

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

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

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

1 terms; or

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

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

16 For taxable years ending on or after December 31,
17 2025, this paragraph shall not apply to the following:

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

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

26 (b) the transaction giving rise to the

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

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

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

23 (D-8) An amount equal to the amount of intangible
24 expenses and costs otherwise allowed as a deduction in
25 computing base income, and that were paid, accrued, or
26 incurred, directly or indirectly, (i) for taxable

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

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

16 For taxable years ending on or after December 31,
17 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

24 For taxable years ending on or after December 31,
25 2025, this paragraph shall not apply to the following:

26 (i) any item of intangible expense or cost

1 paid, accrued, or incurred, directly or
2 indirectly, if the taxpayer can establish, based
3 on a preponderance of the evidence, both of the
4 following:

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

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

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

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

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

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

1 of the Internal Revenue Code) with respect to the
2 stock of the same person to whom the premiums and costs
3 were directly or indirectly paid, incurred, or
4 accrued. The preceding sentence does not apply to the
5 extent that the same dividends caused a reduction to
6 the addition modification required under Section
7 203(d) (2) (D-7) or Section 203(d) (2) (D-8) of this Act;

8 (D-10) An amount equal to the credit allowable to
9 the taxpayer under Section 218(a) of this Act,
10 determined without regard to Section 218(c) of this
11 Act;

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

16 (D-12) the amount that is claimed as a federal
17 deduction when computing the taxpayer's federal
18 taxable income for the taxable year and that is
19 attributable to an endowment gift for which the
20 taxpayer receives a credit under the Illinois Gives
21 Tax Credit Act;

22 and by deducting from the total so obtained the following
23 amounts:

24 (E) The valuation limitation amount;

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

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

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

1 (I) is exempt from the provisions of Section 250;

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

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

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

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

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

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

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

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

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

9 (3) for taxable years ending after December
10 31, 2005:

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

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

20 (iii) for property on which a bonus
21 depreciation deduction of 100% of the adjusted
22 basis was taken in a taxable year ending on or
23 after December 31, 2021, "x" equals the
24 depreciation deduction that would be allowed
25 on that property if the taxpayer had made the
26 election under Section 168(k)(7) or Section

1 168(n) (6) of the Internal Revenue Code to not
2 claim bonus depreciation on that property; and
3 (iv) for property on which a bonus
4 depreciation deduction of a percentage other
5 than 30%, 50% or 100% of the adjusted basis
6 was taken in a taxable year ending on or after
7 December 31, 2021, "x" equals "y" multiplied
8 by 100 times the percentage bonus depreciation
9 on the property (that is, $100(\text{bonus}\%)$) and
10 then divided by 100 times 1 minus the
11 percentage bonus depreciation on the property
12 (that is, $100(1-\text{bonus}\%)$).

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

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

26 If the taxpayer continues to own property through

1 the last day of the last tax year for which a
2 subtraction is allowed with respect to that property
3 under subparagraph (O) and for which the taxpayer was
4 required in any taxable year to make an addition
5 modification under subparagraph (D-5), then an amount
6 equal to that addition modification.

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

10 This subparagraph (P) is exempt from the
11 provisions of Section 250;

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

1 addition modification. This subparagraph (Q) is exempt
2 from Section 250;

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

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

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

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

1 expense or loss had been uninsured. If a taxpayer
2 makes the election provided for by this subparagraph
3 (T), the insurer to which the premiums were paid must
4 add back to income the amount subtracted by the
5 taxpayer pursuant to this subparagraph (T). This
6 subparagraph (T) is exempt from the provisions of
7 Section 250; ~~and~~

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

21 (V) For any taxpayer that is a financial
22 organization within the meaning of Section 304(c) of
23 this Act, an amount included in such total as interest
24 income from a loan or loans made by the taxpayer to a
25 borrower, to the extent that the a loan is secured by
26 property which is located in a border community

1 certified under the Border Community Act. To determine
2 the portion of a loan or loans that is secured by
3 property eligible for a Section 201(f) investment
4 credit to the borrower, the entire principal amount of
5 the loan or loans between the taxpayer and the
6 borrower should be divided into the basis of the
7 Section 201(f) investment credit property which
8 secures the loan or loans, using for this purpose the
9 original basis of such property on the date that it was
10 placed in service in the border community. The
11 subtraction modification available to the taxpayer in
12 any year under this subsection shall be that portion
13 of the total interest paid by the borrower with
14 respect to such loan attributable to the eligible
15 property as calculated under the previous sentence.
16 This subparagraph (V) is exempt from the provisions of
17 Section 250.

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

19 (1) In general. Subject to the provisions of paragraph
20 (2) and subsection (b) (3), for purposes of this Section
21 and Section 803(e), a taxpayer's gross income, adjusted
22 gross income, or taxable income for the taxable year shall
23 mean the amount of gross income, adjusted gross income or
24 taxable income properly reportable for federal income tax
25 purposes for the taxable year under the provisions of the

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

26 (2) Special rule. For purposes of paragraph (1) of

1 this subsection, the taxable income properly reportable
2 for federal income tax purposes shall mean:

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

10 (B) Certain other insurance companies. In the case
11 of mutual insurance companies subject to the tax
12 imposed by Section 831 of the Internal Revenue Code,
13 insurance company taxable income;

14 (C) Regulated investment companies. In the case of
15 a regulated investment company subject to the tax
16 imposed by Section 852 of the Internal Revenue Code,
17 investment company taxable income;

18 (D) Real estate investment trusts. In the case of
19 a real estate investment trust subject to the tax
20 imposed by Section 857 of the Internal Revenue Code,
21 real estate investment trust taxable income;

22 (E) Consolidated corporations. In the case of a
23 corporation which is a member of an affiliated group
24 of corporations filing a consolidated income tax
25 return for the taxable year for federal income tax
26 purposes, taxable income determined as if such

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

9 (F) Cooperatives. In the case of a cooperative
10 corporation or association, the taxable income of such
11 organization determined in accordance with the
12 provisions of Section 1381 through 1388 of the
13 Internal Revenue Code, but without regard to the
14 prohibition against offsetting losses from patronage
15 activities against income from nonpatronage
16 activities; except that a cooperative corporation or
17 association may make an election to follow its federal
18 income tax treatment of patronage losses and
19 nonpatronage losses. In the event such election is
20 made, such losses shall be computed and carried over
21 in a manner consistent with subsection (a) of Section
22 207 of this Act and apportioned by the apportionment
23 factor reported by the cooperative on its Illinois
24 income tax return filed for the taxable year in which
25 the losses are incurred. The election shall be
26 effective for all taxable years with original returns

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

14 (G) Subchapter S corporations. In the case of: (i)
15 a Subchapter S corporation for which there is in
16 effect an election for the taxable year under Section
17 1362 of the Internal Revenue Code, the taxable income
18 of such corporation determined in accordance with
19 Section 1363(b) of the Internal Revenue Code, except
20 that taxable income shall take into account those
21 items which are required by Section 1363(b)(1) of the
22 Internal Revenue Code to be separately stated; and
23 (ii) a Subchapter S corporation for which there is in
24 effect a federal election to opt out of the provisions
25 of the Subchapter S Revision Act of 1982 and have
26 applied instead the prior federal Subchapter S rules

1 as in effect on July 1, 1982, the taxable income of
2 such corporation determined in accordance with the
3 federal Subchapter S rules as in effect on July 1,
4 1982; and

5 (H) Partnerships. In the case of a partnership,
6 taxable income determined in accordance with Section
7 703 of the Internal Revenue Code, except that taxable
8 income shall take into account those items which are
9 required by Section 703(a)(1) to be separately stated
10 but which would be taken into account by an individual
11 in calculating his taxable income.

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

1 this Act for the taxable year and for the 2 immediately
2 preceding taxable years.

3 (f) Valuation limitation amount.

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

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

13 (B) The lesser of (i) the sum of the pre-August 1,
14 1969 appreciation amounts (to the extent consisting of
15 capital gain) for all property in respect of which
16 such gain was reported for federal income tax purposes
17 for the taxable year, or (ii) the net capital gain for
18 the taxable year, reduced in either case by any amount
19 of such gain included in the amount determined under
20 subsection (a) (2) (F) or (c) (2) (H).

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

22 (A) If the fair market value of property referred
23 to in paragraph (1) was readily ascertainable on
24 August 1, 1969, the pre-August 1, 1969 appreciation
25 amount for such property is the lesser of (i) the

1 excess of such fair market value over the taxpayer's
2 basis (for determining gain) for such property on that
3 date (determined under the Internal Revenue Code as in
4 effect on that date), or (ii) the total gain realized
5 and reportable for federal income tax purposes in
6 respect of the sale, exchange or other disposition of
7 such property.

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

19 (C) The Department shall prescribe such
20 regulations as may be necessary to carry out the
21 purposes of this paragraph.

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

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

10 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;
11 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,
12 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.
13 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,
14 eff. 8-15-25; 104-453, eff. 12-12-25.)

15 (35 ILCS 5/246 new)

16 Sec. 246. Border Community Construction Jobs Credit.

17 (a) A business entity may receive a tax credit against the
18 tax imposed under subsections (a) and (b) of Section 201 in an
19 amount equal to 50% of the amount of the incremental income tax
20 attributable to border community construction jobs employees
21 employed by the business entity in the course of completing a
22 border community construction jobs project. The credit allowed
23 under this Section shall apply only to taxpayers that make a
24 capital investment of at least \$1,000,000 in a qualified
25 rehabilitation plan.

1 (b) A taxpayer seeking a credit under this Section must
2 submit an application to the Department of Commerce and
3 Economic Opportunity describing the nature and benefit of the
4 border community construction jobs project to the border
5 community. The Department may adopt any necessary rules to
6 administer the provisions of this Section.

7 (c) The Department of Commerce and Economic Opportunity
8 shall certify to the Department of Revenue the identity of the
9 taxpayers who are eligible for a credit under this Section and
10 the amount of the credits awarded under this Section in each
11 taxable year.

12 (d) In no event shall a credit under this Section reduce a
13 taxpayer's liability to less than zero. If the amount of
14 credit exceeds the tax liability for the year, the excess may
15 be carried forward and applied to the tax liability for the 5
16 taxable years following the excess credit year. The tax credit
17 shall be applied to the earliest year for which there is a tax
18 liability. If there are credits for more than one year that are
19 available to offset liability, the earlier credit shall be
20 applied first.

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

23 (f) As used in this Section:

24 "Border community construction jobs employee" means a
25 laborer or worker who is employed by an Illinois contractor or
26 subcontractor in the actual construction work on the site of a

1 border community construction jobs project.

2 "Border community construction jobs project" means
3 building a structure or building, or making improvements of
4 any kind to real property, in a border community that is built
5 or improved in the course of completing a qualified
6 rehabilitation plan. "Border community construction jobs
7 project" does not include the routine operation, routine
8 repair, or routine maintenance of existing structures,
9 buildings, or real property.

10 "Incremental income tax" means the total amount withheld
11 during the taxable year from the compensation of border
12 community construction jobs employees.

13 Section 905. The Use Tax Act is amended by changing
14 Section 3-5 as follows:

15 (35 ILCS 105/3-5)

16 Sec. 3-5. Exemptions. Use, which, on and after January 1,
17 2025, includes use by a lessee, of the following tangible
18 personal property is exempt from the tax imposed by this Act:

19 (1) Personal property purchased from a corporation,
20 society, association, foundation, institution, or
21 organization, other than a limited liability company, that is
22 organized and operated as a not-for-profit service enterprise
23 for the benefit of persons 65 years of age or older if the
24 personal property was not purchased by the enterprise for the

1 purpose of resale by the enterprise.

2 (2) Personal property purchased by a not-for-profit
3 Illinois county fair association for use in conducting,
4 operating, or promoting the county fair.

5 (3) Personal property purchased by a not-for-profit arts
6 or cultural organization that establishes, by proof required
7 by the Department by rule, that it has received an exemption
8 under Section 501(c)(3) of the Internal Revenue Code and that
9 is organized and operated primarily for the presentation or
10 support of arts or cultural programming, activities, or
11 services. These organizations include, but are not limited to,
12 music and dramatic arts organizations such as symphony
13 orchestras and theatrical groups, arts and cultural service
14 organizations, local arts councils, visual arts organizations,
15 and media arts organizations. On and after July 1, 2001 (the
16 effective date of Public Act 92-35), however, an entity
17 otherwise eligible for this exemption shall not make tax-free
18 purchases unless it has an active identification number issued
19 by the Department.

20 (4) Except as otherwise provided in this Act, personal
21 property purchased by a governmental body, by a corporation,
22 society, association, foundation, or institution organized and
23 operated exclusively for charitable, religious, or educational
24 purposes, or by a not-for-profit corporation, society,
25 association, foundation, institution, or organization that has
26 no compensated officers or employees and that is organized and

1 operated primarily for the recreation of persons 55 years of
2 age or older. A limited liability company may qualify for the
3 exemption under this paragraph only if the limited liability
4 company is organized and operated exclusively for educational
5 purposes. On and after July 1, 1987, however, no entity
6 otherwise eligible for this exemption shall make tax-free
7 purchases unless it has an active exemption identification
8 number issued by the Department.

9 (5) Until July 1, 2003, a passenger car that is a
10 replacement vehicle to the extent that the purchase price of
11 the car is subject to the Replacement Vehicle Tax.

12 (6) Until July 1, 2003 and beginning again on September 1,
13 2004 through August 30, 2014, graphic arts machinery and
14 equipment, including repair and replacement parts, both new
15 and used, and including that manufactured on special order,
16 certified by the purchaser to be used primarily for graphic
17 arts production, and including machinery and equipment
18 purchased for lease. Equipment includes chemicals or chemicals
19 acting as catalysts but only if the chemicals or chemicals
20 acting as catalysts effect a direct and immediate change upon
21 a graphic arts product. Beginning on July 1, 2017, graphic
22 arts machinery and equipment is included in the manufacturing
23 and assembling machinery and equipment exemption under
24 paragraph (18).

25 (7) Farm chemicals.

26 (8) Legal tender, currency, medallions, or gold or silver

1 coinage issued by the State of Illinois, the government of the
2 United States of America, or the government of any foreign
3 country, and bullion.

4 (9) Personal property purchased from a teacher-sponsored
5 student organization affiliated with an elementary or
6 secondary school located in Illinois.

7 (10) A motor vehicle that is used for automobile renting,
8 as defined in the Automobile Renting Occupation and Use Tax
9 Act.

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

1 on a motor vehicle required to be licensed if the selling price
2 of the tender is separately stated.

3 Farm machinery and equipment shall include precision
4 farming equipment that is installed or purchased to be
5 installed on farm machinery and equipment, including, but not
6 limited to, tractors, harvesters, sprayers, planters, seeders,
7 or spreaders. Precision farming equipment includes, but is not
8 limited to, soil testing sensors, computers, monitors,
9 software, global positioning and mapping systems, and other
10 such equipment.

11 Farm machinery and equipment also includes computers,
12 sensors, software, and related equipment used primarily in the
13 computer-assisted operation of production agriculture
14 facilities, equipment, and activities such as, but not limited
15 to, the collection, monitoring, and correlation of animal and
16 crop data for the purpose of formulating animal diets and
17 agricultural chemicals.

18 Beginning on January 1, 2024, farm machinery and equipment
19 also includes electrical power generation equipment used
20 primarily for production agriculture.

21 This item (11) is exempt from the provisions of Section
22 3-90.

23 (12) Until June 30, 2013, fuel and petroleum products sold
24 to or used by an air common carrier, certified by the carrier
25 to be used for consumption, shipment, or storage in the
26 conduct of its business as an air common carrier, for a flight

1 destined for or returning from a location or locations outside
2 the United States without regard to previous or subsequent
3 domestic stopovers.

4 Beginning July 1, 2013, fuel and petroleum products sold
5 to or used by an air carrier, certified by the carrier to be
6 used for consumption, shipment, or storage in the conduct of
7 its business as an air common carrier, for a flight that (i) is
8 engaged in foreign trade or is engaged in trade between the
9 United States and any of its possessions and (ii) transports
10 at least one individual or package for hire from the city of
11 origination to the city of final destination on the same
12 aircraft, without regard to a change in the flight number of
13 that aircraft.

14 (13) Proceeds of mandatory service charges separately
15 stated on customers' bills for the purchase and consumption of
16 food and beverages purchased at retail from a retailer, to the
17 extent that the proceeds of the service charge are in fact
18 turned over as tips or as a substitute for tips to the
19 employees who participate directly in preparing, serving,
20 hosting or cleaning up the food or beverage function with
21 respect to which the service charge is imposed.

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

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

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

11 (16) Until July 1, 2028, coal and aggregate exploration,
12 mining, off-highway hauling, processing, maintenance, and
13 reclamation equipment, including replacement parts and
14 equipment, and including equipment purchased for lease, but
15 excluding motor vehicles required to be registered under the
16 Illinois Vehicle Code. The changes made to this Section by
17 Public Act 97-767 apply on and after July 1, 2003, but no claim
18 for credit or refund is allowed on or after August 16, 2013
19 (the effective date of Public Act 98-456) for such taxes paid
20 during the period beginning July 1, 2003 and ending on August
21 16, 2013 (the effective date of Public Act 98-456).

22 (17) Until July 1, 2003, distillation machinery and
23 equipment, sold as a unit or kit, assembled or installed by the
24 retailer, certified by the user to be used only for the
25 production of ethyl alcohol that will be used for consumption
26 as motor fuel or as a component of motor fuel for the personal

1 use of the user, and not subject to sale or resale.

2 (18) Manufacturing and assembling machinery and equipment
3 used primarily in the process of manufacturing or assembling
4 tangible personal property for wholesale or retail sale or
5 lease, whether that sale or lease is made directly by the
6 manufacturer or by some other person, whether the materials
7 used in the process are owned by the manufacturer or some other
8 person, or whether that sale or lease is made apart from or as
9 an incident to the seller's engaging in the service occupation
10 of producing machines, tools, dies, jigs, patterns, gauges, or
11 other similar items of no commercial value on special order
12 for a particular purchaser. The exemption provided by this
13 paragraph (18) includes production related tangible personal
14 property, as defined in Section 3-50, purchased on or after
15 July 1, 2019. The exemption provided by this paragraph (18)
16 does not include machinery and equipment used in (i) the
17 generation of electricity for wholesale or retail sale; (ii)
18 the generation or treatment of natural or artificial gas for
19 wholesale or retail sale that is delivered to customers
20 through pipes, pipelines, or mains; or (iii) the treatment of
21 water for wholesale or retail sale that is delivered to
22 customers through pipes, pipelines, or mains. The provisions
23 of Public Act 98-583 are declaratory of existing law as to the
24 meaning and scope of this exemption. Beginning on July 1,
25 2017, the exemption provided by this paragraph (18) includes,
26 but is not limited to, graphic arts machinery and equipment,

1 as defined in paragraph (6) of this Section.

2 (19) Personal property delivered to a purchaser or
3 purchaser's donee inside Illinois when the purchase order for
4 that personal property was received by a florist located
5 outside Illinois who has a florist located inside Illinois
6 deliver the personal property.

7 (20) Semen used for artificial insemination of livestock
8 for direct agricultural production.

9 (21) Horses, or interests in horses, registered with and
10 meeting the requirements of any of the Arabian Horse Club
11 Registry of America, Appaloosa Horse Club, American Quarter
12 Horse Association, United States Trotting Association, or
13 Jockey Club, as appropriate, used for purposes of breeding or
14 racing for prizes. This item (21) is exempt from the
15 provisions of Section 3-90, and the exemption provided for
16 under this item (21) applies for all periods beginning May 30,
17 1995, but no claim for credit or refund is allowed on or after
18 January 1, 2008 for such taxes paid during the period
19 beginning May 30, 2000 and ending on January 1, 2008.

20 (22) Computers and communications equipment utilized for
21 any hospital purpose and equipment used in the diagnosis,
22 analysis, or treatment of hospital patients purchased by a
23 lessor who leases the equipment, under a lease of one year or
24 longer executed or in effect at the time the lessor would
25 otherwise be subject to the tax imposed by this Act, to a
26 hospital that has been issued an active tax exemption

1 identification number by the Department under Section 1g of
2 the Retailers' Occupation Tax Act. If the equipment is leased
3 in a manner that does not qualify for this exemption or is used
4 in any other non-exempt manner, the lessor shall be liable for
5 the tax imposed under this Act or the Service Use Tax Act, as
6 the case may be, based on the fair market value of the property
7 at the time the non-qualifying use occurs. No lessor shall
8 collect or attempt to collect an amount (however designated)
9 that purports to reimburse that lessor for the tax imposed by
10 this Act or the Service Use Tax Act, as the case may be, if the
11 tax has not been paid by the lessor. If a lessor improperly
12 collects any such amount from the lessee, the lessee shall
13 have a legal right to claim a refund of that amount from the
14 lessor. If, however, that amount is not refunded to the lessee
15 for any reason, the lessor is liable to pay that amount to the
16 Department.

17 (23) Personal property purchased by a lessor who leases
18 the property, under a lease of one year or longer executed or
19 in effect at the time the lessor would otherwise be subject to
20 the tax imposed by this Act, to a governmental body that has
21 been issued an active sales tax exemption identification
22 number by the Department under Section 1g of the Retailers'
23 Occupation Tax Act. If the property is leased in a manner that
24 does not qualify for this exemption or used in any other
25 non-exempt manner, the lessor shall be liable for the tax
26 imposed under this Act or the Service Use Tax Act, as the case

1 may be, based on the fair market value of the property at the
2 time the non-qualifying use occurs. No lessor shall collect or
3 attempt to collect an amount (however designated) that
4 purports to reimburse that lessor for the tax imposed by this
5 Act or the Service Use Tax Act, as the case may be, if the tax
6 has not been paid by the lessor. If a lessor improperly
7 collects any such amount from the lessee, the lessee shall
8 have a legal right to claim a refund of that amount from the
9 lessor. If, however, that amount is not refunded to the lessee
10 for any reason, the lessor is liable to pay that amount to the
11 Department.

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

22 (25) Beginning with taxable years ending on or after
23 December 31, 1995 and ending with taxable years ending on or
24 before December 31, 2004, personal property that is used in
25 the performance of infrastructure repairs in this State,
26 including, but not limited to, municipal roads and streets,

1 access roads, bridges, sidewalks, waste disposal systems,
2 water and sewer line extensions, water distribution and
3 purification facilities, storm water drainage and retention
4 facilities, and sewage treatment facilities, resulting from a
5 State or federally declared disaster in Illinois or bordering
6 Illinois when such repairs are initiated on facilities located
7 in the declared disaster area within 6 months after the
8 disaster.

9 (26) Beginning July 1, 1999, game or game birds purchased
10 at a "game breeding and hunting preserve area" as that term is
11 used in the Wildlife Code. This paragraph is exempt from the
12 provisions of Section 3-90.

13 (27) A motor vehicle, as that term is defined in Section
14 1-146 of the Illinois Vehicle Code, that is donated to a
15 corporation, limited liability company, society, association,
16 foundation, or institution that is determined by the
17 Department to be organized and operated exclusively for
18 educational purposes. For purposes of this exemption, "a
19 corporation, limited liability company, society, association,
20 foundation, or institution organized and operated exclusively
21 for educational purposes" means all tax-supported public
22 schools, private schools that offer systematic instruction in
23 useful branches of learning by methods common to public
24 schools and that compare favorably in their scope and
25 intensity with the course of study presented in tax-supported
26 schools, and vocational or technical schools or institutes

1 organized and operated exclusively to provide a course of
2 study of not less than 6 weeks duration and designed to prepare
3 individuals to follow a trade or to pursue a manual,
4 technical, mechanical, industrial, business, or commercial
5 occupation.

6 (28) Beginning January 1, 2000, personal property,
7 including food, purchased through fundraising events for the
8 benefit of a public or private elementary or secondary school,
9 a group of those schools, or one or more school districts if
10 the events are sponsored by an entity recognized by the school
11 district that consists primarily of volunteers and includes
12 parents and teachers of the school children. This paragraph
13 does not apply to fundraising events (i) for the benefit of
14 private home instruction or (ii) for which the fundraising
15 entity purchases the personal property sold at the events from
16 another individual or entity that sold the property for the
17 purpose of resale by the fundraising entity and that profits
18 from the sale to the fundraising entity. This paragraph is
19 exempt from the provisions of Section 3-90.

20 (29) Beginning January 1, 2000 and through December 31,
21 2001, new or used automatic vending machines that prepare and
22 serve hot food and beverages, including coffee, soup, and
23 other items, and replacement parts for these machines.
24 Beginning January 1, 2002 and through June 30, 2003, machines
25 and parts for machines used in commercial, coin-operated
26 amusement and vending business if a use or occupation tax is

1 paid on the gross receipts derived from the use of the
2 commercial, coin-operated amusement and vending machines. This
3 paragraph is exempt from the provisions of Section 3-90.

4 (30) Beginning January 1, 2001 and through June 30, 2016,
5 food for human consumption that is to be consumed off the
6 premises where it is sold (other than alcoholic beverages,
7 soft drinks, and food that has been prepared for immediate
8 consumption) and prescription and nonprescription medicines,
9 drugs, medical appliances, and insulin, urine testing
10 materials, syringes, and needles used by diabetics, for human
11 use, when purchased for use by a person receiving medical
12 assistance under Article V of the Illinois Public Aid Code who
13 resides in a licensed long-term care facility, as defined in
14 the Nursing Home Care Act, or in a licensed facility as defined
15 in the ID/DD Community Care Act, the MC/DD Act, or the
16 Specialized Mental Health Rehabilitation Act of 2013.

17 (31) Beginning on August 2, 2001 (the effective date of
18 Public Act 92-227), computers and communications equipment
19 utilized for any hospital purpose and equipment used in the
20 diagnosis, analysis, or treatment of hospital patients
21 purchased by a lessor who leases the equipment, under a lease
22 of one year or longer executed or in effect at the time the
23 lessor would otherwise be subject to the tax imposed by this
24 Act, to a hospital that has been issued an active tax exemption
25 identification number by the Department under Section 1g of
26 the Retailers' Occupation Tax Act. If the equipment is leased

1 in a manner that does not qualify for this exemption or is used
2 in any other nonexempt manner, the lessor shall be liable for
3 the tax imposed under this Act or the Service Use Tax Act, as
4 the case may be, based on the fair market value of the property
5 at the time the nonqualifying use occurs. No lessor shall
6 collect or attempt to collect an amount (however designated)
7 that purports to reimburse that lessor for the tax imposed by
8 this Act or the Service Use Tax Act, as the case may be, if the
9 tax has not been paid by the lessor. If a lessor improperly
10 collects any such amount from the lessee, the lessee shall
11 have a legal right to claim a refund of that amount from the
12 lessor. If, however, that amount is not refunded to the lessee
13 for any reason, the lessor is liable to pay that amount to the
14 Department. This paragraph is exempt from the provisions of
15 Section 3-90.

16 (32) Beginning on August 2, 2001 (the effective date of
17 Public Act 92-227), personal property purchased by a lessor
18 who leases the property, under a lease of one year or longer
19 executed or in effect at the time the lessor would otherwise be
20 subject to the tax imposed by this Act, to a governmental body
21 that has been issued an active sales tax exemption
22 identification number by the Department under Section 1g of
23 the Retailers' Occupation Tax Act. If the property is leased
24 in a manner that does not qualify for this exemption or used in
25 any other nonexempt manner, the lessor shall be liable for the
26 tax imposed under this Act or the Service Use Tax Act, as the

1 case may be, based on the fair market value of the property at
2 the time the nonqualifying use occurs. No lessor shall collect
3 or attempt to collect an amount (however designated) that
4 purports to reimburse that lessor for the tax imposed by this
5 Act or the Service Use Tax Act, as the case may be, if the tax
6 has not been paid by the lessor. If a lessor improperly
7 collects any such amount from the lessee, the lessee shall
8 have a legal right to claim a refund of that amount from the
9 lessor. If, however, that amount is not refunded to the lessee
10 for any reason, the lessor is liable to pay that amount to the
11 Department. This paragraph is exempt from the provisions of
12 Section 3-90.

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

1 the rolling stock exemption otherwise provided for in this
2 Act. For purposes of this paragraph, the term "used for
3 commercial purposes" means the transportation of persons or
4 property in furtherance of any commercial or industrial
5 enterprise, whether for-hire or not.

6 (34) Beginning January 1, 2008, tangible personal property
7 used in the construction or maintenance of a community water
8 supply, as defined under Section 3.145 of the Environmental
9 Protection Act, that is operated by a not-for-profit
10 corporation that holds a valid water supply permit issued
11 under Title IV of the Environmental Protection Act. This
12 paragraph is exempt from the provisions of Section 3-90.

13 (35) Beginning January 1, 2010 and continuing through
14 December 31, 2029, materials, parts, equipment, components,
15 and furnishings incorporated into or upon an aircraft as part
16 of the modification, refurbishment, completion, replacement,
17 repair, or maintenance of the aircraft. This exemption
18 includes consumable supplies used in the modification,
19 refurbishment, completion, replacement, repair, and
20 maintenance of aircraft. However, until January 1, 2024, this
21 exemption excludes any materials, parts, equipment,
22 components, and consumable supplies used in the modification,
23 replacement, repair, and maintenance of aircraft engines or
24 power plants, whether such engines or power plants are
25 installed or uninstalled upon any such aircraft. "Consumable
26 supplies" include, but are not limited to, adhesive, tape,

1 sandpaper, general purpose lubricants, cleaning solution,
2 latex gloves, and protective films.

3 Beginning January 1, 2010 and continuing through December
4 31, 2023, this exemption applies only to the use of qualifying
5 tangible personal property by persons who modify, refurbish,
6 complete, repair, replace, or maintain aircraft and who (i)
7 hold an Air Agency Certificate and are empowered to operate an
8 approved repair station by the Federal Aviation
9 Administration, (ii) have a Class IV Rating, and (iii) conduct
10 operations in accordance with Part 145 of the Federal Aviation
11 Regulations. From January 1, 2024 through December 31, 2029,
12 this exemption applies only to the use of qualifying tangible
13 personal property by: (A) persons who modify, refurbish,
14 complete, repair, replace, or maintain aircraft and who (i)
15 hold an Air Agency Certificate and are empowered to operate an
16 approved repair station by the Federal Aviation
17 Administration, (ii) have a Class IV Rating, and (iii) conduct
18 operations in accordance with Part 145 of the Federal Aviation
19 Regulations; and (B) persons who engage in the modification,
20 replacement, repair, and maintenance of aircraft engines or
21 power plants without regard to whether or not those persons
22 meet the qualifications of item (A).

23 The exemption does not include aircraft operated by a
24 commercial air carrier providing scheduled passenger air
25 service pursuant to authority issued under Part 121 or Part
26 129 of the Federal Aviation Regulations. The changes made to

1 this paragraph (35) by Public Act 98-534 are declarative of
2 existing law. It is the intent of the General Assembly that the
3 exemption under this paragraph (35) applies continuously from
4 January 1, 2010 through December 31, 2024; however, no claim
5 for credit or refund is allowed for taxes paid as a result of
6 the disallowance of this exemption on or after January 1, 2015
7 and prior to February 5, 2020 (the effective date of Public Act
8 101-629).

9 (36) Tangible personal property purchased by a
10 public-facilities corporation, as described in Section
11 11-65-10 of the Illinois Municipal Code, for purposes of
12 constructing or furnishing a municipal convention hall, but
13 only if the legal title to the municipal convention hall is
14 transferred to the municipality without any further
15 consideration by or on behalf of the municipality at the time
16 of the completion of the municipal convention hall or upon the
17 retirement or redemption of any bonds or other debt
18 instruments issued by the public-facilities corporation in
19 connection with the development of the municipal convention
20 hall. This exemption includes existing public-facilities
21 corporations as provided in Section 11-65-25 of the Illinois
22 Municipal Code. This paragraph is exempt from the provisions
23 of Section 3-90.

24 (37) Beginning January 1, 2017 and through December 31,
25 2026, menstrual pads, tampons, and menstrual cups.

26 (38) Merchandise that is subject to the Rental Purchase

1 Agreement Occupation and Use Tax. The purchaser must certify
2 that the item is purchased to be rented subject to a
3 rental-purchase agreement, as defined in the Rental-Purchase
4 Agreement Act, and provide proof of registration under the
5 Rental Purchase Agreement Occupation and Use Tax Act. This
6 paragraph is exempt from the provisions of Section 3-90.

7 (39) Tangible personal property purchased by a purchaser
8 who is exempt from the tax imposed by this Act by operation of
9 federal law. This paragraph is exempt from the provisions of
10 Section 3-90.

11 (40) Qualified tangible personal property used in the
12 construction or operation of a data center that has been
13 granted a certificate of exemption by the Department of
14 Commerce and Economic Opportunity, whether that tangible
15 personal property is purchased by the owner, operator, or
16 tenant of the data center or by a contractor or subcontractor
17 of the owner, operator, or tenant. Data centers that would
18 have qualified for a certificate of exemption prior to January
19 1, 2020 had Public Act 101-31 been in effect may apply for and
20 obtain an exemption for subsequent purchases of computer
21 equipment or enabling software purchased or leased to upgrade,
22 supplement, or replace computer equipment or enabling software
23 purchased or leased in the original investment that would have
24 qualified.

25 The Department of Commerce and Economic Opportunity shall
26 grant a certificate of exemption under this item (40) to

1 qualified data centers as defined by Section 605-1025 of the
2 Department of Commerce and Economic Opportunity Law of the
3 Civil Administrative Code of Illinois.

4 For the purposes of this item (40):

5 "Data center" means a building or a series of
6 buildings rehabilitated or constructed to house working
7 servers in one physical location or multiple sites within
8 the State of Illinois.

9 "Qualified tangible personal property" means:
10 electrical systems and equipment; climate control and
11 chilling equipment and systems; mechanical systems and
12 equipment; monitoring and secure systems; emergency
13 generators; hardware; computers; servers; data storage
14 devices; network connectivity equipment; racks; cabinets;
15 telecommunications cabling infrastructure; raised floor
16 systems; peripheral components or systems; software;
17 mechanical, electrical, or plumbing systems; battery
18 systems; cooling systems and towers; temperature control
19 systems; other cabling; and other data center
20 infrastructure equipment and systems necessary to operate
21 qualified tangible personal property, including fixtures;
22 and component parts of any of the foregoing, including
23 installation, maintenance, repair, refurbishment, and
24 replacement of qualified tangible personal property to
25 generate, transform, transmit, distribute, or manage
26 electricity necessary to operate qualified tangible

1 personal property; and all other tangible personal
2 property that is essential to the operations of a computer
3 data center. The term "qualified tangible personal
4 property" also includes building materials physically
5 incorporated into the qualifying data center. To document
6 the exemption allowed under this Section, the retailer
7 must obtain from the purchaser a copy of the certificate
8 of eligibility issued by the Department of Commerce and
9 Economic Opportunity.

10 This item (40) is exempt from the provisions of Section
11 3-90.

12 (41) Beginning July 1, 2022, breast pumps, breast pump
13 collection and storage supplies, and breast pump kits. This
14 item (41) is exempt from the provisions of Section 3-90. As
15 used in this item (41):

16 "Breast pump" means an electrically controlled or
17 manually controlled pump device designed or marketed to be
18 used to express milk from a human breast during lactation,
19 including the pump device and any battery, AC adapter, or
20 other power supply unit that is used to power the pump
21 device and is packaged and sold with the pump device at the
22 time of sale.

23 "Breast pump collection and storage supplies" means
24 items of tangible personal property designed or marketed
25 to be used in conjunction with a breast pump to collect
26 milk expressed from a human breast and to store collected

1 milk until it is ready for consumption.

2 "Breast pump collection and storage supplies"
3 includes, but is not limited to: breast shields and breast
4 shield connectors; breast pump tubes and tubing adapters;
5 breast pump valves and membranes; backflow protectors and
6 backflow protector adaptors; bottles and bottle caps
7 specific to the operation of the breast pump; and breast
8 milk storage bags.

9 "Breast pump collection and storage supplies" does not
10 include: (1) bottles and bottle caps not specific to the
11 operation of the breast pump; (2) breast pump travel bags
12 and other similar carrying accessories, including ice
13 packs, labels, and other similar products; (3) breast pump
14 cleaning supplies; (4) nursing bras, bra pads, breast
15 shells, and other similar products; and (5) creams,
16 ointments, and other similar products that relieve
17 breastfeeding-related symptoms or conditions of the
18 breasts or nipples, unless sold as part of a breast pump
19 kit that is pre-packaged by the breast pump manufacturer
20 or distributor.

21 "Breast pump kit" means a kit that: (1) contains no
22 more than a breast pump, breast pump collection and
23 storage supplies, a rechargeable battery for operating the
24 breast pump, a breastmilk cooler, bottle stands, ice
25 packs, and a breast pump carrying case; and (2) is
26 pre-packaged as a breast pump kit by the breast pump

1 manufacturer or distributor.

2 (42) Tangible personal property sold by or on behalf of
3 the State Treasurer pursuant to the Revised Uniform Unclaimed
4 Property Act. This item (42) is exempt from the provisions of
5 Section 3-90.

6 (43) Beginning on January 1, 2024, tangible personal
7 property purchased by an active duty member of the armed
8 forces of the United States who presents valid military
9 identification and purchases the property using a form of
10 payment where the federal government is the payor. The member
11 of the armed forces must complete, at the point of sale, a form
12 prescribed by the Department of Revenue documenting that the
13 transaction is eligible for the exemption under this
14 paragraph. Retailers must keep the form as documentation of
15 the exemption in their records for a period of not less than 6
16 years. "Armed forces of the United States" means the United
17 States Army, Navy, Air Force, Space Force, Marine Corps, or
18 Coast Guard. This paragraph is exempt from the provisions of
19 Section 3-90.

20 (44) Beginning July 1, 2024, home-delivered meals provided
21 to Medicare or Medicaid recipients when payment is made by an
22 intermediary, such as a Medicare Administrative Contractor, a
23 Managed Care Organization, or a Medicare Advantage
24 Organization, pursuant to a government contract. This item
25 (44) is exempt from the provisions of Section 3-90.

26 (45) Beginning on January 1, 2026, as further defined in

1 Section 3-10, 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). This item (45) is exempt
6 from the provisions of Section 3-90.

7 (46) Use by the lessee of the following leased tangible
8 personal property:

9 (1) software transferred subject to a license that
10 meets the following requirements:

11 (A) it is evidenced by a written agreement signed
12 by the licensor and the customer;

13 (i) an electronic agreement in which the
14 customer accepts the license by means of an
15 electronic signature that is verifiable and can be
16 authenticated and is attached to or made part of
17 the license will comply with this requirement;

18 (ii) a license agreement in which the customer
19 electronically accepts the terms by clicking "I
20 agree" does not comply with this requirement;

21 (B) it restricts the customer's duplication and
22 use of the software;

23 (C) it prohibits the customer from licensing,
24 sublicensing, or transferring the software to a third
25 party (except to a related party) without the
26 permission and continued control of the licensor;

1 (D) the licensor has a policy of providing another
2 copy at minimal or no charge if the customer loses or
3 damages the software, or of permitting the licensee to
4 make and keep an archival copy, and such policy is
5 either stated in the license agreement, supported by
6 the licensor's books and records, or supported by a
7 notarized statement made under penalties of perjury by
8 the licensor; and

9 (E) the customer must destroy or return all copies
10 of the software to the licensor at the end of the
11 license period; this provision is deemed to be met, in
12 the case of a perpetual license, without being set
13 forth in the license agreement; and

14 (2) property that is subject to a tax on lease
15 receipts imposed by a home rule unit of local government
16 if the ordinance imposing that tax was adopted prior to
17 January 1, 2023.

18 (47) Building materials to be incorporated into real
19 estate within a border community certified under the Border
20 Community Act; to qualify for the exemption under this
21 paragraph, the retailer must obtain from the purchaser a
22 Border Community Materials Exemption Certificate number issued
23 by the Department; this paragraph is exempt from the
24 provisions of Section Section 3-90.

25 (Source: P.A. 103-9, Article 5, Section 5-5, eff. 6-7-23;
26 103-9, Article 15, Section 15-5, eff. 6-7-23; 103-154, eff.

1 6-30-23; 103-384, eff. 1-1-24; 103-592, eff. 1-1-25; 103-605,
2 eff. 7-1-24; 103-643, eff. 7-1-24; 103-746, eff. 1-1-25;
3 103-781, eff. 8-5-24; 104-417, eff. 8-15-25.)

4 Section 910. The Service Use Tax Act is amended by
5 changing Section 3-5 as follows:

6 (35 ILCS 110/3-5)

7 Sec. 3-5. Exemptions. Use of the following tangible
8 personal property is exempt from the tax imposed by this Act:

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

16 (2) Personal property purchased by a non-profit Illinois
17 county fair association for use in conducting, operating, or
18 promoting the county fair.

19 (3) Personal property purchased by a not-for-profit arts
20 or cultural organization that establishes, by proof required
21 by the Department by rule, that it has received an exemption
22 under Section 501(c)(3) of the Internal Revenue Code and that
23 is organized and operated primarily for the presentation or
24 support of arts or cultural programming, activities, or

1 services. These organizations include, but are not limited to,
2 music and dramatic arts organizations such as symphony
3 orchestras and theatrical groups, arts and cultural service
4 organizations, local arts councils, visual arts organizations,
5 and media arts organizations. On and after July 1, 2001 (the
6 effective date of Public Act 92-35), however, an entity
7 otherwise eligible for this exemption shall not make tax-free
8 purchases unless it has an active identification number issued
9 by the Department.

10 (4) Legal tender, currency, medallions, or gold or silver
11 coinage issued by the State of Illinois, the government of the
12 United States of America, or the government of any foreign
13 country, and bullion.

14 (5) Until July 1, 2003 and beginning again on September 1,
15 2004 through August 30, 2014, graphic arts machinery and
16 equipment, including repair and replacement parts, both new
17 and used, and including that manufactured on special order or
18 purchased for lease, certified by the purchaser to be used
19 primarily for graphic arts production. Equipment includes
20 chemicals or chemicals acting as catalysts but only if the
21 chemicals or chemicals acting as catalysts effect a direct and
22 immediate change upon a graphic arts product. Beginning on
23 July 1, 2017, graphic arts machinery and equipment is included
24 in the manufacturing and assembling machinery and equipment
25 exemption under Section 2 of this Act.

26 (6) Personal property purchased from a teacher-sponsored

1 student organization affiliated with an elementary or
2 secondary school located in Illinois.

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

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

1 limited to, soil testing sensors, computers, monitors,
2 software, global positioning and mapping systems, and other
3 such equipment.

4 Farm machinery and equipment also includes computers,
5 sensors, software, and related equipment used primarily in the
6 computer-assisted operation of production agriculture
7 facilities, equipment, and activities such as, but not limited
8 to, the collection, monitoring, and correlation of animal and
9 crop data for the purpose of formulating animal diets and
10 agricultural chemicals.

11 Beginning on January 1, 2024, farm machinery and equipment
12 also includes electrical power generation equipment used
13 primarily for production agriculture.

14 This item (7) is exempt from the provisions of Section
15 3-75.

16 (8) Until June 30, 2013, fuel and petroleum products sold
17 to or used by an air common carrier, certified by the carrier
18 to be used for consumption, shipment, or storage in the
19 conduct of its business as an air common carrier, for a flight
20 destined for or returning from a location or locations outside
21 the United States without regard to previous or subsequent
22 domestic stopovers.

23 Beginning July 1, 2013, fuel and petroleum products sold
24 to or used by an air carrier, certified by the carrier to be
25 used for consumption, shipment, or storage in the conduct of
26 its business as an air common carrier, for a flight that (i) is

1 engaged in foreign trade or is engaged in trade between the
2 United States and any of its possessions and (ii) transports
3 at least one individual or package for hire from the city of
4 origination to the city of final destination on the same
5 aircraft, without regard to a change in the flight number of
6 that aircraft.

7 (9) Proceeds of mandatory service charges separately
8 stated on customers' bills for the purchase and consumption of
9 food and beverages acquired as an incident to the purchase of a
10 service from a serviceman, to the extent that the proceeds of
11 the service charge are in fact turned over as tips or as a
12 substitute for tips to the employees who participate directly
13 in preparing, serving, hosting or cleaning up the food or
14 beverage function with respect to which the service charge is
15 imposed.

16 (10) Until July 1, 2003, oil field exploration, drilling,
17 and production equipment, including (i) rigs and parts of
18 rigs, rotary rigs, cable tool rigs, and workover rigs, (ii)
19 pipe and tubular goods, including casing and drill strings,
20 (iii) pumps and pump-jack units, (iv) storage tanks and flow
21 lines, (v) any individual replacement part for oil field
22 exploration, drilling, and production equipment, and (vi)
23 machinery and equipment purchased for lease; but excluding
24 motor vehicles required to be registered under the Illinois
25 Vehicle Code.

26 (11) Proceeds from the sale of photoprocessing machinery

1 and equipment, including repair and replacement parts, both
2 new and used, including that manufactured on special order,
3 certified by the purchaser to be used primarily for
4 photoprocessing, and including photoprocessing machinery and
5 equipment purchased for lease.

6 (12) Until July 1, 2028, coal and aggregate exploration,
7 mining, off-highway hauling, processing, maintenance, and
8 reclamation equipment, including replacement parts and
9 equipment, and including equipment purchased for lease, but
10 excluding motor vehicles required to be registered under the
11 Illinois Vehicle Code. The changes made to this Section by
12 Public Act 97-767 apply on and after July 1, 2003, but no claim
13 for credit or refund is allowed on or after August 16, 2013
14 (the effective date of Public Act 98-456) for such taxes paid
15 during the period beginning July 1, 2003 and ending on August
16 16, 2013 (the effective date of Public Act 98-456).

17 (13) Semen used for artificial insemination of livestock
18 for direct agricultural production.

19 (14) Horses, or interests in horses, registered with and
20 meeting the requirements of any of the Arabian Horse Club
21 Registry of America, Appaloosa Horse Club, American Quarter
22 Horse Association, United States Trotting Association, or
23 Jockey Club, as appropriate, used for purposes of breeding or
24 racing for prizes. This item (14) is exempt from the
25 provisions of Section 3-75, and the exemption provided for
26 under this item (14) applies for all periods beginning May 30,

1 1995, but no claim for credit or refund is allowed on or after
2 January 1, 2008 (the effective date of Public Act 95-88) for
3 such taxes paid during the period beginning May 30, 2000 and
4 ending on January 1, 2008 (the effective date of Public Act
5 95-88).

6 (15) Computers and communications equipment utilized for
7 any hospital purpose and equipment used in the diagnosis,
8 analysis, or treatment of hospital patients purchased by a
9 lessor who leases the equipment, under a lease of one year or
10 longer executed or in effect at the time the lessor would
11 otherwise be subject to the tax imposed by this Act, to a
12 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 non-exempt manner, the lessor shall be liable for
17 the tax imposed under this Act or the Use Tax Act, as the case
18 may be, based on the fair market value of the property at the
19 time the non-qualifying use occurs. No lessor shall collect or
20 attempt to collect an amount (however designated) that
21 purports to reimburse that lessor for the tax imposed by this
22 Act or the Use Tax Act, as the case may be, if the tax has not
23 been paid by the lessor. If a lessor improperly collects any
24 such amount from the lessee, the lessee shall have a legal
25 right to claim a refund of that amount from the lessor. If,
26 however, that amount is not refunded to the lessee for any

1 reason, the lessor is liable to pay that amount to the
2 Department.

3 (16) Personal property purchased by a lessor who leases
4 the property, under a lease of one year or longer executed or
5 in effect at the time the lessor would otherwise be subject to
6 the tax imposed by this Act, to a governmental body that has
7 been issued an active tax exemption identification number by
8 the Department under Section 1g of the Retailers' Occupation
9 Tax Act. If the property is leased in a manner that does not
10 qualify for this exemption or is used in any other non-exempt
11 manner, the lessor shall be liable for the tax imposed under
12 this Act or the Use Tax Act, as the case may be, based on the
13 fair market value of the property at the time the
14 non-qualifying use occurs. No lessor shall collect or attempt
15 to collect an amount (however designated) that purports to
16 reimburse that lessor for the tax imposed by this Act or the
17 Use Tax Act, as the case may be, if the tax has not been paid
18 by the lessor. If a lessor improperly collects any such amount
19 from the lessee, the lessee shall have a legal right to claim a
20 refund of that amount from the lessor. If, however, that
21 amount is not refunded to the lessee for any reason, the lessor
22 is liable to pay that amount to the Department.

23 (17) Beginning with taxable years ending on or after
24 December 31, 1995 and ending with taxable years ending on or
25 before December 31, 2004, personal property that is donated
26 for disaster relief to be used in a State or federally declared

1 disaster area in Illinois or bordering Illinois by a
2 manufacturer or retailer that is registered in this State to a
3 corporation, society, association, foundation, or institution
4 that has been issued a sales tax exemption identification
5 number by the Department that assists victims of the disaster
6 who reside within the declared disaster area.

7 (18) Beginning with taxable years ending on or after
8 December 31, 1995 and ending with taxable years ending on or
9 before December 31, 2004, personal property that is used in
10 the performance of infrastructure repairs in this State,
11 including, but not limited to, municipal roads and streets,
12 access roads, bridges, sidewalks, waste disposal systems,
13 water and sewer line extensions, water distribution and
14 purification facilities, storm water drainage and retention
15 facilities, and sewage treatment facilities, resulting from a
16 State or federally declared disaster in Illinois or bordering
17 Illinois when such repairs are initiated on facilities located
18 in the declared disaster area within 6 months after the
19 disaster.

20 (19) Beginning July 1, 1999, game or game birds purchased
21 at a "game breeding and hunting preserve area" as that term is
22 used in the Wildlife Code. This paragraph is exempt from the
23 provisions of Section 3-75.

24 (20) A motor vehicle, as that term is defined in Section
25 1-146 of the Illinois Vehicle Code, that is donated to a
26 corporation, limited liability company, society, association,

1 foundation, or institution that is determined by the
2 Department to be organized and operated exclusively for
3 educational purposes. For purposes of this exemption, "a
4 corporation, limited liability company, society, association,
5 foundation, or institution organized and operated exclusively
6 for educational purposes" means all tax-supported public
7 schools, private schools that offer systematic instruction in
8 useful branches of learning by methods common to public
9 schools and that compare favorably in their scope and
10 intensity with the course of study presented in tax-supported
11 schools, and vocational or technical schools or institutes
12 organized and operated exclusively to provide a course of
13 study of not less than 6 weeks duration and designed to prepare
14 individuals to follow a trade or to pursue a manual,
15 technical, mechanical, industrial, business, or commercial
16 occupation.

17 (21) Beginning January 1, 2000, personal property,
18 including food, purchased through fundraising events for the
19 benefit of a public or private elementary or secondary school,
20 a group of those schools, or one or more school districts if
21 the events are sponsored by an entity recognized by the school
22 district that consists primarily of volunteers and includes
23 parents and teachers of the school children. This paragraph
24 does not apply to fundraising events (i) for the benefit of
25 private home instruction or (ii) for which the fundraising
26 entity purchases the personal property sold at the events from

1 another individual or entity that sold the property for the
2 purpose of resale by the fundraising entity and that profits
3 from the sale to the fundraising entity. This paragraph is
4 exempt from the provisions of Section 3-75.

5 (22) Beginning January 1, 2000 and through December 31,
6 2001, new or used automatic vending machines that prepare and
7 serve hot food and beverages, including coffee, soup, and
8 other items, and replacement parts for these machines.
9 Beginning January 1, 2002 and through June 30, 2003, machines
10 and parts for machines used in commercial, coin-operated
11 amusement and vending business if a use or occupation tax is
12 paid on the gross receipts derived from the use of the
13 commercial, coin-operated amusement and vending machines. This
14 paragraph is exempt from the provisions of Section 3-75.

15 (23) Beginning August 23, 2001 and through June 30, 2016,
16 food for human consumption that is to be consumed off the
17 premises where it is sold (other than alcoholic beverages,
18 soft drinks, and food that has been prepared for immediate
19 consumption) and prescription and nonprescription medicines,
20 drugs, medical appliances, and insulin, urine testing
21 materials, syringes, and needles used by diabetics, for human
22 use, when purchased for use by a person receiving medical
23 assistance under Article V of the Illinois Public Aid Code who
24 resides in a licensed long-term care facility, as defined in
25 the Nursing Home Care Act, or in a licensed facility as defined
26 in the ID/DD Community Care Act, the MC/DD Act, or the

1 Specialized Mental Health Rehabilitation Act of 2013.

2 (24) Beginning on August 2, 2001 (the effective date of
3 Public Act 92-227), computers and communications equipment
4 utilized for any hospital purpose and equipment used in the
5 diagnosis, analysis, or treatment of hospital patients
6 purchased by a lessor who leases the equipment, under a lease
7 of one year or longer executed or in effect at the time the
8 lessor would otherwise be subject to the tax imposed by this
9 Act, to a hospital that has been issued an active tax exemption
10 identification number by the Department under Section 1g of
11 the Retailers' Occupation Tax Act. If the equipment is leased
12 in a manner that does not qualify for this exemption or is used
13 in any other nonexempt manner, the lessor shall be liable for
14 the tax imposed under this Act or the Use Tax Act, as the case
15 may be, based on the fair market value of the property at the
16 time the nonqualifying 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 Use Tax Act, as the case may be, if the tax has not
20 been paid by the lessor. If a lessor improperly collects any
21 such amount from the lessee, the lessee shall have a legal
22 right to claim a refund of that amount from the lessor. If,
23 however, that amount is not refunded to the lessee for any
24 reason, the lessor is liable to pay that amount to the
25 Department. This paragraph is exempt from the provisions of
26 Section 3-75.

1 (25) Beginning on August 2, 2001 (the effective date of
2 Public Act 92-227), personal property purchased by a lessor
3 who leases the property, under a lease of one year or longer
4 executed or in effect at the time the lessor would otherwise be
5 subject to the tax imposed by this Act, to a governmental body
6 that has been issued an active tax exemption identification
7 number by the Department under Section 1g of the Retailers'
8 Occupation Tax Act. If the property is leased in a manner that
9 does not qualify for this exemption or is used in any other
10 nonexempt manner, the lessor shall be liable for the tax
11 imposed under this Act or the Use Tax Act, as the case may be,
12 based on the fair market value of the property at the time the
13 nonqualifying use occurs. No lessor shall collect or attempt
14 to collect an amount (however designated) that purports to
15 reimburse that lessor for the tax imposed by this Act or the
16 Use Tax Act, as the case may be, if the tax has not been paid
17 by the lessor. If a lessor improperly collects any such amount
18 from the lessee, the lessee shall have a legal right to claim a
19 refund of that amount from the lessor. If, however, that
20 amount is not refunded to the lessee for any reason, the lessor
21 is liable to pay that amount to the Department. This paragraph
22 is exempt from the provisions of Section 3-75.

23 (26) Beginning January 1, 2008, tangible personal property
24 used in the construction or maintenance of a community water
25 supply, as defined under Section 3.145 of the Environmental
26 Protection Act, that is operated by a not-for-profit

1 corporation that holds a valid water supply permit issued
2 under Title IV of the Environmental Protection Act. This
3 paragraph is exempt from the provisions of Section 3-75.

4 (27) Beginning January 1, 2010 and continuing through
5 December 31, 2029, materials, parts, equipment, components,
6 and furnishings incorporated into or upon an aircraft as part
7 of the modification, refurbishment, completion, replacement,
8 repair, or maintenance of the aircraft. This exemption
9 includes consumable supplies used in the modification,
10 refurbishment, completion, replacement, repair, and
11 maintenance of aircraft. However, until January 1, 2024, this
12 exemption excludes any materials, parts, equipment,
13 components, and consumable supplies used in the modification,
14 replacement, repair, and maintenance of aircraft engines or
15 power plants, whether such engines or power plants are
16 installed or uninstalled upon any such aircraft. "Consumable
17 supplies" include, but are not limited to, adhesive, tape,
18 sandpaper, general purpose lubricants, cleaning solution,
19 latex gloves, and protective films.

20 Beginning January 1, 2010 and continuing through December
21 31, 2023, this exemption applies only to the use of qualifying
22 tangible personal property transferred incident to the
23 modification, refurbishment, completion, replacement, repair,
24 or maintenance of aircraft by persons who (i) hold an Air
25 Agency Certificate and are empowered to operate an approved
26 repair station by the Federal Aviation Administration, (ii)

1 have a Class IV Rating, and (iii) conduct operations in
2 accordance with Part 145 of the Federal Aviation Regulations.
3 From January 1, 2024 through December 31, 2029, this exemption
4 applies only to the use of qualifying tangible personal
5 property transferred incident to: (A) the modification,
6 refurbishment, completion, repair, replacement, or maintenance
7 of an aircraft by persons who (i) hold an Air Agency
8 Certificate and are empowered to operate an approved repair
9 station by the Federal Aviation Administration, (ii) have a
10 Class IV Rating, and (iii) conduct operations in accordance
11 with Part 145 of the Federal Aviation Regulations; and (B) the
12 modification, replacement, repair, and maintenance of aircraft
13 engines or power plants without regard to whether or not those
14 persons meet the qualifications of item (A).

15 The exemption does not include aircraft operated by a
16 commercial air carrier providing scheduled passenger air
17 service pursuant to authority issued under Part 121 or Part
18 129 of the Federal Aviation Regulations. The changes made to
19 this paragraph (27) by Public Act 98-534 are declarative of
20 existing law. It is the intent of the General Assembly that the
21 exemption under this paragraph (27) applies continuously from
22 January 1, 2010 through December 31, 2024; however, no claim
23 for credit or refund is allowed for taxes paid as a result of
24 the disallowance of this exemption on or after January 1, 2015
25 and prior to February 5, 2020 (the effective date of Public Act
26 101-629).

1 (28) Tangible personal property purchased by a
2 public-facilities corporation, as described in Section
3 11-65-10 of the Illinois Municipal Code, for purposes of
4 constructing or furnishing a municipal convention hall, but
5 only if the legal title to the municipal convention hall is
6 transferred to the municipality without any further
7 consideration by or on behalf of the municipality at the time
8 of the completion of the municipal convention hall or upon the
9 retirement or redemption of any bonds or other debt
10 instruments issued by the public-facilities corporation in
11 connection with the development of the municipal convention
12 hall. This exemption includes existing public-facilities
13 corporations as provided in Section 11-65-25 of the Illinois
14 Municipal Code. This paragraph is exempt from the provisions
15 of Section 3-75.

16 (29) Beginning January 1, 2017 and through December 31,
17 2026, menstrual pads, tampons, and menstrual cups.

18 (30) Tangible personal property transferred to a purchaser
19 who is exempt from the tax imposed by this Act by operation of
20 federal law. This paragraph is exempt from the provisions of
21 Section 3-75.

22 (31) Qualified tangible personal property used in the
23 construction or operation of a data center that has been
24 granted a certificate of exemption by the Department of
25 Commerce and Economic Opportunity, whether that tangible
26 personal property is purchased by the owner, operator, or

1 tenant of the data center or by a contractor or subcontractor
2 of the owner, operator, or tenant. Data centers that would
3 have qualified for a certificate of exemption prior to January
4 1, 2020 had Public Act 101-31 been in effect, may apply for and
5 obtain an exemption for subsequent purchases of computer
6 equipment or enabling software purchased or leased to upgrade,
7 supplement, or replace computer equipment or enabling software
8 purchased or leased in the original investment that would have
9 qualified.

10 The Department of Commerce and Economic Opportunity shall
11 grant a certificate of exemption under this item (31) to
12 qualified data centers as defined by Section 605-1025 of the
13 Department of Commerce and Economic Opportunity Law of the
14 Civil Administrative Code of Illinois.

15 For the purposes of this item (31):

16 "Data center" means a building or a series of
17 buildings rehabilitated or constructed to house working
18 servers in one physical location or multiple sites within
19 the State of Illinois.

20 "Qualified tangible personal property" means:
21 electrical systems and equipment; climate control and
22 chilling equipment and systems; mechanical systems and
23 equipment; monitoring and secure systems; emergency
24 generators; hardware; computers; servers; data storage
25 devices; network connectivity equipment; racks; cabinets;
26 telecommunications cabling infrastructure; raised floor

1 systems; peripheral components or systems; software;
2 mechanical, electrical, or plumbing systems; battery
3 systems; cooling systems and towers; temperature control
4 systems; other cabling; and other data center
5 infrastructure equipment and systems necessary to operate
6 qualified tangible personal property, including fixtures;
7 and component parts of any of the foregoing, including
8 installation, maintenance, repair, refurbishment, and
9 replacement of qualified tangible personal property to
10 generate, transform, transmit, distribute, or manage
11 electricity necessary to operate qualified tangible
12 personal property; and all other tangible personal
13 property that is essential to the operations of a computer
14 data center. The term "qualified tangible personal
15 property" also includes building materials physically
16 incorporated into the qualifying data center. To document
17 the exemption allowed under this Section, the retailer
18 must obtain from the purchaser a copy of the certificate
19 of eligibility issued by the Department of Commerce and
20 Economic Opportunity.

21 This item (31) is exempt from the provisions of Section
22 3-75.

23 (32) Beginning July 1, 2022, breast pumps, breast pump
24 collection and storage supplies, and breast pump kits. This
25 item (32) is exempt from the provisions of Section 3-75. As
26 used in this item (32):

1 "Breast pump" means an electrically controlled or
2 manually controlled pump device designed or marketed to be
3 used to express milk from a human breast during lactation,
4 including the pump device and any battery, AC adapter, or
5 other power supply unit that is used to power the pump
6 device and is packaged and sold with the pump device at the
7 time of sale.

8 "Breast pump collection and storage supplies" means
9 items of tangible personal property designed or marketed
10 to be used in conjunction with a breast pump to collect
11 milk expressed from a human breast and to store collected
12 milk until it is ready for consumption.

13 "Breast pump collection and storage supplies"
14 includes, but is not limited to: breast shields and breast
15 shield connectors; breast pump tubes and tubing adapters;
16 breast pump valves and membranes; backflow protectors and
17 backflow protector adaptors; bottles and bottle caps
18 specific to the operation of the breast pump; and breast
19 milk storage bags.

20 "Breast pump collection and storage supplies" does not
21 include: (1) bottles and bottle caps not specific to the
22 operation of the breast pump; (2) breast pump travel bags
23 and other similar carrying accessories, including ice
24 packs, labels, and other similar products; (3) breast pump
25 cleaning supplies; (4) nursing bras, bra pads, breast
26 shells, and other similar products; and (5) creams,

1 ointments, and other similar products that relieve
2 breastfeeding-related symptoms or conditions of the
3 breasts or nipples, unless sold as part of a breast pump
4 kit that is pre-packaged by the breast pump manufacturer
5 or distributor.

6 "Breast pump kit" means a kit that: (1) contains no
7 more than a breast pump, breast pump collection and
8 storage supplies, a rechargeable battery for operating the
9 breast pump, a breastmilk cooler, bottle stands, ice
10 packs, and a breast pump carrying case; and (2) is
11 pre-packaged as a breast pump kit by the breast pump
12 manufacturer or distributor.

13 (33) Tangible personal property sold by or on behalf of
14 the State Treasurer pursuant to the Revised Uniform Unclaimed
15 Property Act. This item (33) is exempt from the provisions of
16 Section 3-75.

17 (34) Beginning on January 1, 2024, tangible personal
18 property purchased by an active duty member of the armed
19 forces of the United States who presents valid military
20 identification and purchases the property using a form of
21 payment where the federal government is the payor. The member
22 of the armed forces must complete, at the point of sale, a form
23 prescribed by the Department of Revenue documenting that the
24 transaction is eligible for the exemption under this
25 paragraph. Retailers must keep the form as documentation of
26 the exemption in their records for a period of not less than 6

1 years. "Armed forces of the United States" means the United
2 States Army, Navy, Air Force, Space Force, Marine Corps, or
3 Coast Guard. This paragraph is exempt from the provisions of
4 Section 3-75.

5 (35) Beginning July 1, 2024, home-delivered meals provided
6 to Medicare or Medicaid recipients when payment is made by an
7 intermediary, such as a Medicare Administrative Contractor, a
8 Managed Care Organization, or a Medicare Advantage
9 Organization, pursuant to a government contract. This
10 paragraph (35) is exempt from the provisions of Section 3-75.

11 (36) Beginning on January 1, 2026, as further defined in
12 Section 3-10, food prepared for immediate consumption and
13 transferred incident to a sale of service subject to this Act
14 or the Service Occupation Tax Act by an entity licensed under
15 the Hospital Licensing Act, the Nursing Home Care Act, the
16 Assisted Living and Shared Housing Act, the ID/DD Community
17 Care Act, the MC/DD Act, the Specialized Mental Health
18 Rehabilitation Act of 2013, or the Child Care Act of 1969 or by
19 an entity that holds a permit issued pursuant to the Life Care
20 Facilities Act. This item (36) is exempt from the provisions
21 of Section 3-75.

22 (37) Beginning on January 1, 2026, as further defined in
23 Section 3-10, food for human consumption that is to be
24 consumed off the premises where it is sold (other than
25 alcoholic beverages, food consisting of or infused with adult
26 use cannabis, soft drinks, candy, and food that has been

1 prepared for immediate consumption). This item (37) is exempt
2 from the provisions of Section 3-75.

3 (38) Use by a lessee of the following leased tangible
4 personal property:

5 (1) software transferred subject to a license that
6 meets the following requirements:

7 (A) it is evidenced by a written agreement signed
8 by the licensor and the customer;

9 (i) an electronic agreement in which the
10 customer accepts the license by means of an
11 electronic signature that is verifiable and can be
12 authenticated and is attached to or made part of
13 the license will comply with this requirement;

14 (ii) a license agreement in which the customer
15 electronically accepts the terms by clicking "I
16 agree" does not comply with this requirement;

17 (B) it restricts the customer's duplication and
18 use of the software;

19 (C) it prohibits the customer from licensing,
20 sublicensing, or transferring the software to a third
21 party (except to a related party) without the
22 permission and continued control of the licensor;

23 (D) the licensor has a policy of providing another
24 copy at minimal or no charge if the customer loses or
25 damages the software, or of permitting the licensee to
26 make and keep an archival copy, and such policy is

1 either stated in the license agreement, supported by
2 the licensor's books and records, or supported by a
3 notarized statement made under penalties of perjury by
4 the licensor; and

5 (E) the customer must destroy or return all copies
6 of the software to the licensor at the end of the
7 license period; this provision is deemed to be met, in
8 the case of a perpetual license, without being set
9 forth in the license agreement; and

10 (2) property that is subject to a tax on lease
11 receipts imposed by a home rule unit of local government
12 if the ordinance imposing that tax was adopted prior to
13 January 1, 2023.

14 (39) Building materials to be incorporated into real
15 estate within a border community certified under the Border
16 Community Act; to qualify for the exemption under this
17 paragraph, the retailer must obtain from the purchaser a
18 Border Community Materials Exemption Certificate number issued
19 by the Department; this paragraph is exempt from the
20 provisions of Section Section 3-75.

21 (Source: P.A. 103-9, Article 5, Section 5-10, eff. 6-7-23;
22 103-9, Article 15, Section 15-10, eff. 6-7-23; 103-154, eff.
23 6-30-23; 103-384, eff. 1-1-24; 103-592, eff. 1-1-25; 103-605,
24 eff. 7-1-24; 103-643, eff. 7-1-24; 103-746, eff. 1-1-25;
25 103-781, eff. 8-5-24; 103-995, eff. 8-9-24; 104-417, eff.
26 8-15-25.)

1 Section 920. The Service Occupation Tax Act is amended by
2 changing Section 3-5 as follows:

3 (35 ILCS 115/3-5)

4 Sec. 3-5. Exemptions. The following tangible personal
5 property is exempt from the tax imposed by this Act:

6 (1) Personal property sold by a corporation, society,
7 association, foundation, institution, or organization, other
8 than a limited liability company, that is organized and
9 operated as a not-for-profit service enterprise for the
10 benefit of persons 65 years of age or older if the personal
11 property was not purchased by the enterprise for the purpose
12 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 any 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

1 organizations, local arts councils, visual arts organizations,
2 and media arts organizations. On and after July 1, 2001 (the
3 effective date of Public Act 92-35), however, an entity
4 otherwise eligible for this exemption shall not make tax-free
5 purchases unless it has an active identification number issued
6 by the Department.

7 (4) Legal tender, currency, medallions, or gold or silver
8 coinage issued by the State of Illinois, the government of the
9 United States of America, or the government of any foreign
10 country, and bullion.

11 (5) Until July 1, 2003 and beginning again on September 1,
12 2004 through August 30, 2014, graphic arts machinery and
13 equipment, including repair and replacement parts, both new
14 and used, and including that manufactured on special order or
15 purchased for lease, certified by the purchaser to be used
16 primarily for graphic arts production. Equipment includes
17 chemicals or chemicals acting as catalysts but only if the
18 chemicals or chemicals acting as catalysts effect a direct and
19 immediate change upon a graphic arts product. Beginning on
20 July 1, 2017, graphic arts machinery and equipment is included
21 in the manufacturing and assembling machinery and equipment
22 exemption under Section 2 of this Act.

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

26 (7) Farm machinery and equipment, both new and used,

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

19 Farm machinery and equipment shall include precision
20 farming equipment that is installed or purchased to be
21 installed on farm machinery and equipment, including, but not
22 limited to, tractors, harvesters, sprayers, planters, seeders,
23 or spreaders. Precision farming equipment includes, but is not
24 limited to, soil testing sensors, computers, monitors,
25 software, global positioning and mapping systems, and other
26 such equipment.

1 Farm machinery and equipment also includes computers,
2 sensors, software, and related equipment used primarily in the
3 computer-assisted operation of production agriculture
4 facilities, equipment, and activities such as, but not limited
5 to, the collection, monitoring, and correlation of animal and
6 crop data for the purpose of formulating animal diets and
7 agricultural chemicals.

8 Beginning on January 1, 2024, farm machinery and equipment
9 also includes electrical power generation equipment used
10 primarily for production agriculture.

11 This item (7) is exempt from the provisions of Section
12 3-55.

13 (8) Until June 30, 2013, fuel and petroleum products sold
14 to or used by an air common carrier, certified by the carrier
15 to be used for consumption, shipment, or storage in the
16 conduct of its business as an air common carrier, for a flight
17 destined for or returning from a location or locations outside
18 the United States without regard to previous or subsequent
19 domestic stopovers.

20 Beginning July 1, 2013, fuel and petroleum products sold
21 to or used by an air carrier, certified by the carrier to be
22 used for consumption, shipment, or storage in the conduct of
23 its business as an air common carrier, for a flight that (i) is
24 engaged in foreign trade or is engaged in trade between the
25 United States and any of its possessions and (ii) transports
26 at least one individual or package for hire from the city of

1 origination to the city of final destination on the same
2 aircraft, without regard to a change in the flight number of
3 that aircraft.

4 (9) Proceeds of mandatory service charges separately
5 stated on customers' bills for the purchase and consumption of
6 food and beverages, to the extent that the proceeds of the
7 service charge are in fact turned over as tips or as a
8 substitute for tips to the employees who participate directly
9 in preparing, serving, hosting or cleaning up the food or
10 beverage function with respect to which the service charge is
11 imposed.

12 (10) Until July 1, 2003, oil field exploration, drilling,
13 and production equipment, including (i) rigs and parts of
14 rigs, rotary rigs, cable tool rigs, and workover rigs, (ii)
15 pipe and tubular goods, including casing and drill strings,
16 (iii) pumps and pump-jack units, (iv) storage tanks and flow
17 lines, (v) any individual replacement part for oil field
18 exploration, drilling, and production equipment, and (vi)
19 machinery and equipment purchased for lease; but excluding
20 motor vehicles required to be registered under the Illinois
21 Vehicle Code.

22 (11) Photoprocessing machinery and equipment, including
23 repair and replacement parts, both new and used, including
24 that manufactured on special order, certified by the purchaser
25 to be used primarily for photoprocessing, and including
26 photoprocessing machinery and equipment purchased for lease.

1 (12) Until July 1, 2028, coal and aggregate exploration,
2 mining, off-highway hauling, processing, maintenance, and
3 reclamation equipment, including replacement parts and
4 equipment, and including equipment purchased for lease, but
5 excluding motor vehicles required to be registered under the
6 Illinois Vehicle Code. The changes made to this Section by
7 Public Act 97-767 apply on and after July 1, 2003, but no claim
8 for credit or refund is allowed on or after August 16, 2013
9 (the effective date of Public Act 98-456) for such taxes paid
10 during the period beginning July 1, 2003 and ending on August
11 16, 2013 (the effective date of Public Act 98-456).

12 (13) Beginning January 1, 1992 and through June 30, 2016,
13 food for human consumption that is to be consumed off the
14 premises where it is sold (other than alcoholic beverages,
15 soft drinks and food that has been prepared for immediate
16 consumption) and prescription and non-prescription medicines,
17 drugs, medical appliances, and insulin, urine testing
18 materials, syringes, and needles used by diabetics, for human
19 use, when purchased for use by a person receiving medical
20 assistance under Article V of the Illinois Public Aid Code who
21 resides in a licensed long-term care facility, as defined in
22 the Nursing Home Care Act, or in a licensed facility as defined
23 in the ID/DD Community Care Act, the MC/DD Act, or the
24 Specialized Mental Health Rehabilitation Act of 2013.

25 (14) Semen used for artificial insemination of livestock
26 for direct agricultural production.

1 (15) Horses, or interests in horses, registered with and
2 meeting the requirements of any of the Arabian Horse Club
3 Registry of America, Appaloosa Horse Club, American Quarter
4 Horse Association, United States Trotting Association, or
5 Jockey Club, as appropriate, used for purposes of breeding or
6 racing for prizes. This item (15) is exempt from the
7 provisions of Section 3-55, and the exemption provided for
8 under this item (15) applies for all periods beginning May 30,
9 1995, but no claim for credit or refund is allowed on or after
10 January 1, 2008 (the effective date of Public Act 95-88) for
11 such taxes paid during the period beginning May 30, 2000 and
12 ending on January 1, 2008 (the effective date of Public Act
13 95-88).

14 (16) Computers and communications equipment utilized for
15 any hospital purpose and equipment used in the diagnosis,
16 analysis, or treatment of hospital patients sold to a lessor
17 who leases the equipment, under a lease of one year or longer
18 executed or in effect at the time of the purchase, to a
19 hospital that has been issued an active tax exemption
20 identification number by the Department under Section 1g of
21 the Retailers' Occupation Tax Act.

22 (17) Personal property sold to a lessor who leases the
23 property, under a lease of one year or longer executed or in
24 effect at the time of the purchase, to a governmental body that
25 has been issued an active tax exemption identification number
26 by the Department under Section 1g of the Retailers'

1 Occupation Tax Act.

2 (18) Beginning with taxable years ending on or after
3 December 31, 1995 and ending with taxable years ending on or
4 before December 31, 2004, personal property that is donated
5 for disaster relief to be used in a State or federally declared
6 disaster area in Illinois or bordering Illinois by a
7 manufacturer or retailer that is registered in this State to a
8 corporation, society, association, foundation, or institution
9 that has been issued a sales tax exemption identification
10 number by the Department that assists victims of the disaster
11 who reside within the declared disaster area.

12 (19) Beginning with taxable years ending on or after
13 December 31, 1995 and ending with taxable years ending on or
14 before December 31, 2004, personal property that is used in
15 the performance of infrastructure repairs in this State,
16 including, but not limited to, municipal roads and streets,
17 access roads, bridges, sidewalks, waste disposal systems,
18 water and sewer line extensions, water distribution and
19 purification facilities, storm water drainage and retention
20 facilities, and sewage treatment facilities, resulting from a
21 State or federally declared disaster in Illinois or bordering
22 Illinois when such repairs are initiated on facilities located
23 in the declared disaster area within 6 months after the
24 disaster.

25 (20) Beginning July 1, 1999, game or game birds sold at a
26 "game breeding and hunting preserve area" as that term is used

1 in the Wildlife Code. This paragraph is exempt from the
2 provisions of Section 3-55.

3 (21) A motor vehicle, as that term is defined in Section
4 1-146 of the Illinois Vehicle Code, that is donated to a
5 corporation, limited liability company, society, association,
6 foundation, or institution that is determined by the
7 Department to be organized and operated exclusively for
8 educational purposes. For purposes of this exemption, "a
9 corporation, limited liability company, society, association,
10 foundation, or institution organized and operated exclusively
11 for educational purposes" means all tax-supported public
12 schools, private schools that offer systematic instruction in
13 useful branches of learning by methods common to public
14 schools and that compare favorably in their scope and
15 intensity with the course of study presented in tax-supported
16 schools, and vocational or technical schools or institutes
17 organized and operated exclusively to provide a course of
18 study of not less than 6 weeks duration and designed to prepare
19 individuals to follow a trade or to pursue a manual,
20 technical, mechanical, industrial, business, or commercial
21 occupation.

22 (22) Beginning January 1, 2000, personal property,
23 including food, purchased through fundraising events for the
24 benefit of a public or private elementary or secondary school,
25 a group of those schools, or one or more school districts if
26 the events are sponsored by an entity recognized by the school

1 district that consists primarily of volunteers and includes
2 parents and teachers of the school children. This paragraph
3 does not apply to fundraising events (i) for the benefit of
4 private home instruction or (ii) for which the fundraising
5 entity purchases the personal property sold at the events from
6 another individual or entity that sold the property for the
7 purpose of resale by the fundraising entity and that profits
8 from the sale to the fundraising entity. This paragraph is
9 exempt from the provisions of Section 3-55.

10 (23) Beginning January 1, 2000 and through December 31,
11 2001, new or used automatic vending machines that prepare and
12 serve hot food and beverages, including coffee, soup, and
13 other items, and replacement parts for these machines.
14 Beginning January 1, 2002 and through June 30, 2003, machines
15 and parts for machines used in commercial, coin-operated
16 amusement and vending business if a use or occupation tax is
17 paid on the gross receipts derived from the use of the
18 commercial, coin-operated amusement and vending machines. This
19 paragraph is exempt from the provisions of Section 3-55.

20 (24) Beginning on August 2, 2001 (the effective date of
21 Public Act 92-227), computers and communications equipment
22 utilized for any hospital purpose and equipment used in the
23 diagnosis, analysis, or treatment of hospital patients sold to
24 a lessor who leases the equipment, under a lease of one year or
25 longer executed or in effect at the time of the purchase, to a
26 hospital that has been issued an active tax exemption

1 identification number by the Department under Section 1g of
2 the Retailers' Occupation Tax Act. This paragraph is exempt
3 from the provisions of Section 3-55.

4 (25) Beginning on August 2, 2001 (the effective date of
5 Public Act 92-227), personal property sold to a lessor who
6 leases the property, under a lease of one year or longer
7 executed or in effect at the time of the purchase, to a
8 governmental body that has been issued an active tax exemption
9 identification number by the Department under Section 1g of
10 the Retailers' Occupation Tax Act. This paragraph is exempt
11 from the provisions of Section 3-55.

12 (26) Beginning on January 1, 2002 and through June 30,
13 2016, tangible personal property purchased from an Illinois
14 retailer by a taxpayer engaged in centralized purchasing
15 activities in Illinois who will, upon receipt of the property
16 in Illinois, temporarily store the property in Illinois (i)
17 for the purpose of subsequently transporting it outside this
18 State for use or consumption thereafter solely outside this
19 State or (ii) for the purpose of being processed, fabricated,
20 or manufactured into, attached to, or incorporated into other
21 tangible personal property to be transported outside this
22 State and thereafter used or consumed solely outside this
23 State. The Director of Revenue shall, pursuant to rules
24 adopted in accordance with the Illinois Administrative
25 Procedure Act, issue a permit to any taxpayer in good standing
26 with the Department who is eligible for the exemption under

1 this paragraph (26). The permit issued under this paragraph
2 (26) shall authorize the holder, to the extent and in the
3 manner specified in the rules adopted under this Act, to
4 purchase tangible personal property from a retailer exempt
5 from the taxes imposed by this Act. Taxpayers shall maintain
6 all necessary books and records to substantiate the use and
7 consumption of all such tangible personal property outside of
8 the State of Illinois.

9 (27) Beginning January 1, 2008, tangible personal property
10 used in the construction or maintenance of a community water
11 supply, as defined under Section 3.145 of the Environmental
12 Protection Act, that is operated by a not-for-profit
13 corporation that holds a valid water supply permit issued
14 under Title IV of the Environmental Protection Act. This
15 paragraph is exempt from the provisions of Section 3-55.

16 (28) Tangible personal property sold to a
17 public-facilities corporation, as described in Section
18 11-65-10 of the Illinois Municipal Code, for purposes of
19 constructing or furnishing a municipal convention hall, but
20 only if the legal title to the municipal convention hall is
21 transferred to the municipality without any further
22 consideration by or on behalf of the municipality at the time
23 of the completion of the municipal convention hall or upon the
24 retirement or redemption of any bonds or other debt
25 instruments issued by the public-facilities corporation in
26 connection with the development of the municipal convention

1 hall. This exemption includes existing public-facilities
2 corporations as provided in Section 11-65-25 of the Illinois
3 Municipal Code. This paragraph is exempt from the provisions
4 of Section 3-55.

5 (29) Beginning January 1, 2010 and continuing through
6 December 31, 2029, materials, parts, equipment, components,
7 and furnishings incorporated into or upon an aircraft as part
8 of the modification, refurbishment, completion, replacement,
9 repair, or maintenance of the aircraft. This exemption
10 includes consumable supplies used in the modification,
11 refurbishment, completion, replacement, repair, and
12 maintenance of aircraft. However, until January 1, 2024, this
13 exemption excludes any materials, parts, equipment,
14 components, and consumable supplies used in the modification,
15 replacement, repair, and maintenance of aircraft engines or
16 power plants, whether such engines or power plants are
17 installed or uninstalled upon any such aircraft. "Consumable
18 supplies" include, but are not limited to, adhesive, tape,
19 sandpaper, general purpose lubricants, cleaning solution,
20 latex gloves, and protective films.

21 Beginning January 1, 2010 and continuing through December
22 31, 2023, this exemption applies only to the transfer of
23 qualifying tangible personal property incident to the
24 modification, refurbishment, completion, replacement, repair,
25 or maintenance of an aircraft by persons who (i) hold an Air
26 Agency Certificate and are empowered to operate an approved

1 repair station by the Federal Aviation Administration, (ii)
2 have a Class IV Rating, and (iii) conduct operations in
3 accordance with Part 145 of the Federal Aviation Regulations.
4 The exemption does not include aircraft operated by a
5 commercial air carrier providing scheduled passenger air
6 service pursuant to authority issued under Part 121 or Part
7 129 of the Federal Aviation Regulations. From January 1, 2024
8 through December 31, 2029, this exemption applies only to the
9 transfer of qualifying tangible personal property incident to:
10 (A) the modification, refurbishment, completion, repair,
11 replacement, or maintenance of an aircraft by persons who (i)
12 hold an Air Agency Certificate and are empowered to operate an
13 approved repair station by the Federal Aviation
14 Administration, (ii) have a Class IV Rating, and (iii) conduct
15 operations in accordance with Part 145 of the Federal Aviation
16 Regulations; and (B) the modification, replacement, repair,
17 and maintenance of aircraft engines or power plants without
18 regard to whether or not those persons meet the qualifications
19 of item (A).

20 The changes made to this paragraph (29) by Public Act
21 98-534 are declarative of existing law. It is the intent of the
22 General Assembly that the exemption under this paragraph (29)
23 applies continuously from January 1, 2010 through December 31,
24 2024; however, no claim for credit or refund is allowed for
25 taxes paid as a result of the disallowance of this exemption on
26 or after January 1, 2015 and prior to February 5, 2020 (the

1 effective date of Public Act 101-629).

2 (30) Beginning January 1, 2017 and through December 31,
3 2026, menstrual pads, tampons, and menstrual cups.

4 (31) Tangible personal property transferred to a purchaser
5 who is exempt from tax by operation of federal law. This
6 paragraph is exempt from the provisions of Section 3-55.

7 (32) Qualified tangible personal property used in the
8 construction or operation of a data center that has been
9 granted a certificate of exemption by the Department of
10 Commerce and Economic Opportunity, whether that tangible
11 personal property is purchased by the owner, operator, or
12 tenant of the data center or by a contractor or subcontractor
13 of the owner, operator, or tenant. Data centers that would
14 have qualified for a certificate of exemption prior to January
15 1, 2020 had Public Act 101-31 been in effect, may apply for and
16 obtain an exemption for subsequent purchases of computer
17 equipment or enabling software purchased or leased to upgrade,
18 supplement, or replace computer equipment or enabling software
19 purchased or leased in the original investment that would have
20 qualified.

21 The Department of Commerce and Economic Opportunity shall
22 grant a certificate of exemption under this item (32) to
23 qualified data centers as defined by Section 605-1025 of the
24 Department of Commerce and Economic Opportunity Law of the
25 Civil Administrative Code of Illinois.

26 For the purposes of this item (32):

1 "Data center" means a building or a series of
2 buildings rehabilitated or constructed to house working
3 servers in one physical location or multiple sites within
4 the State of Illinois.

5 "Qualified tangible personal property" means:
6 electrical systems and equipment; climate control and
7 chilling equipment and systems; mechanical systems and
8 equipment; monitoring and secure systems; emergency
9 generators; hardware; computers; servers; data storage
10 devices; network connectivity equipment; racks; cabinets;
11 telecommunications cabling infrastructure; raised floor
12 systems; peripheral components or systems; software;
13 mechanical, electrical, or plumbing systems; battery
14 systems; cooling systems and towers; temperature control
15 systems; other cabling; and other data center
16 infrastructure equipment and systems necessary to operate
17 qualified tangible personal property, including fixtures;
18 and component parts of any of the foregoing, including
19 installation, maintenance, repair, refurbishment, and
20 replacement of qualified tangible personal property to
21 generate, transform, transmit, distribute, or manage
22 electricity necessary to operate qualified tangible
23 personal property; and all other tangible personal
24 property that is essential to the operations of a computer
25 data center. The term "qualified tangible personal
26 property" also includes building materials physically

1 incorporated into the qualifying data center. To document
2 the exemption allowed under this Section, the retailer
3 must obtain from the purchaser a copy of the certificate
4 of eligibility issued by the Department of Commerce and
5 Economic Opportunity.

6 This item (32) is exempt from the provisions of Section
7 3-55.

8 (33) Beginning July 1, 2022, breast pumps, breast pump
9 collection and storage supplies, and breast pump kits. This
10 item (33) is exempt from the provisions of Section 3-55. As
11 used in this item (33):

12 "Breast pump" means an electrically controlled or
13 manually controlled pump device designed or marketed to be
14 used to express milk from a human breast during lactation,
15 including the pump device and any battery, AC adapter, or
16 other power supply unit that is used to power the pump
17 device and is packaged and sold with the pump device at the
18 time of sale.

19 "Breast pump collection and storage supplies" means
20 items of tangible personal property designed or marketed
21 to be used in conjunction with a breast pump to collect
22 milk expressed from a human breast and to store collected
23 milk until it is ready for consumption.

24 "Breast pump collection and storage supplies"
25 includes, but is not limited to: breast shields and breast
26 shield connectors; breast pump tubes and tubing adapters;

1 breast pump valves and membranes; backflow protectors and
2 backflow protector adaptors; bottles and bottle caps
3 specific to the operation of the breast pump; and breast
4 milk storage bags.

5 "Breast pump collection and storage supplies" does not
6 include: (1) bottles and bottle caps not specific to the
7 operation of the breast pump; (2) breast pump travel bags
8 and other similar carrying accessories, including ice
9 packs, labels, and other similar products; (3) breast pump
10 cleaning supplies; (4) nursing bras, bra pads, breast
11 shells, and other similar products; and (5) creams,
12 ointments, and other similar products that relieve
13 breastfeeding-related symptoms or conditions of the
14 breasts or nipples, unless sold as part of a breast pump
15 kit that is pre-packaged by the breast pump manufacturer
16 or distributor.

17 "Breast pump kit" means a kit that: (1) contains no
18 more than a breast pump, breast pump collection and
19 storage supplies, a rechargeable battery for operating the
20 breast pump, a breastmilk cooler, bottle stands, ice
21 packs, and a breast pump carrying case; and (2) is
22 pre-packaged as a breast pump kit by the breast pump
23 manufacturer or distributor.

24 (34) Tangible personal property sold by or on behalf of
25 the State Treasurer pursuant to the Revised Uniform Unclaimed
26 Property Act. This item (34) is exempt from the provisions of

1 Section 3-55.

2 (35) Beginning on January 1, 2024, tangible personal
3 property purchased by an active duty member of the armed
4 forces of the United States who presents valid military
5 identification and purchases the property using a form of
6 payment where the federal government is the payor. The member
7 of the armed forces must complete, at the point of sale, a form
8 prescribed by the Department of Revenue documenting that the
9 transaction is eligible for the exemption under this
10 paragraph. Retailers must keep the form as documentation of
11 the exemption in their records for a period of not less than 6
12 years. "Armed forces of the United States" means the United
13 States Army, Navy, Air Force, Space Force, Marine Corps, or
14 Coast Guard. This paragraph is exempt from the provisions of
15 Section 3-55.

16 (36) Beginning July 1, 2024, home-delivered meals provided
17 to Medicare or Medicaid recipients when payment is made by an
18 intermediary, such as a Medicare Administrative Contractor, a
19 Managed Care Organization, or a Medicare Advantage
20 Organization, pursuant to a government contract. This
21 paragraph (36) is exempt from the provisions of Section 3-55.

22 (37) Beginning on January 1, 2026, as further defined in
23 Section 3-10, food prepared for immediate consumption and
24 transferred incident to a sale of service subject to this Act
25 or the Service Use Tax Act by an entity licensed under the
26 Hospital Licensing Act, the Nursing Home Care Act, the

1 Assisted Living and Shared Housing Act, the ID/DD Community
2 Care Act, the MC/DD Act, the Specialized Mental Health
3 Rehabilitation Act of 2013, or the Child Care Act of 1969 or by
4 an entity that holds a permit issued pursuant to the Life Care
5 Facilities Act. This item (37) is exempt from the provisions
6 of Section 3-55.

7 (38) Beginning on January 1, 2026, as further defined in
8 Section 3-10, food for human consumption that is to be
9 consumed off the premises where it is sold (other than
10 alcoholic beverages, food consisting of or infused with adult
11 use cannabis, soft drinks, candy, and food that has been
12 prepared for immediate consumption). This item (38) is exempt
13 from the provisions of Section 3-55.

14 (39) The lease of the following tangible personal
15 property:

16 (1) computer software transferred subject to a license
17 that meets the following requirements:

18 (A) it is evidenced by a written agreement signed
19 by the licensor and the customer;

20 (i) an electronic agreement in which the
21 customer accepts the license by means of an
22 electronic signature that is verifiable and can be
23 authenticated and is attached to or made part of
24 the license will comply with this requirement;

25 (ii) a license agreement in which the customer
26 electronically accepts the terms by clicking "I

1 agree" does not comply with this requirement;

2 (B) it restricts the customer's duplication and
3 use of the software;

4 (C) it prohibits the customer from licensing,
5 sublicensing, or transferring the software to a third
6 party (except to a related party) without the
7 permission and continued control of the licensor;

8 (D) the licensor has a policy of providing another
9 copy at minimal or no charge if the customer loses or
10 damages the software, or of permitting the licensee to
11 make and keep an archival copy, and such policy is
12 either stated in the license agreement, supported by
13 the licensor's books and records, or supported by a
14 notarized statement made under penalties of perjury by
15 the licensor; and

16 (E) the customer must destroy or return all copies
17 of the software to the licensor at the end of the
18 license period; this provision is deemed to be met, in
19 the case of a perpetual license, without being set
20 forth in the license agreement; and

21 (2) property that is subject to a tax on lease
22 receipts imposed by a home rule unit of local government
23 if the ordinance imposing that tax was adopted prior to
24 January 1, 2023.

25 (40) Building materials to be incorporated into real
26 estate within a border community certified under the Border

1 Community Act; to qualify for the exemption under this
2 paragraph, the retailer must obtain from the purchaser a
3 Border Community Materials Exemption Certificate number issued
4 by the Department; this paragraph is exempt from the
5 provisions of Section Section 3-55.

6 (Source: P.A. 103-9, Article 5, Section 5-15, eff. 6-7-23;
7 103-9, Article 15, Section 15-15, 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; 103-995, eff. 8-9-24; 104-417, eff.
11 8-15-25.)

12 Section 925. The Retailers' Occupation Tax Act is amended
13 by changing Section 2-5 as follows:

14 (35 ILCS 120/2-5)

15 Sec. 2-5. Exemptions. Gross receipts from proceeds from
16 the sale, which, on and after January 1, 2025, includes the
17 lease, of the following tangible personal property are exempt
18 from the tax imposed by this Act:

19 (1) Farm chemicals.

20 (2) Farm machinery and equipment, both new and used,
21 including that manufactured on special order, certified by
22 the purchaser to be used primarily for production
23 agriculture or State or federal agricultural programs,
24 including individual replacement parts for the machinery

1 and equipment, including machinery and equipment purchased
2 for lease, and including implements of husbandry defined
3 in Section 1-130 of the Illinois Vehicle Code, farm
4 machinery and agricultural chemical and fertilizer
5 spreaders, and nurse wagons required to be registered
6 under Section 3-809 of the Illinois Vehicle Code, but
7 excluding other motor vehicles required to be registered
8 under the Illinois Vehicle Code. Horticultural polyhouses
9 or hoop houses used for propagating, growing, or
10 overwintering plants shall be considered farm machinery
11 and equipment under this item (2). Agricultural chemical
12 tender tanks and dry boxes shall include units sold
13 separately from a motor vehicle required to be licensed
14 and units sold mounted on a motor vehicle required to be
15 licensed, if the selling price of the tender is separately
16 stated.

17 Farm machinery and equipment shall include precision
18 farming equipment that is installed or purchased to be
19 installed on farm machinery and equipment including, but
20 not limited to, tractors, harvesters, sprayers, planters,
21 seeders, or spreaders. Precision farming equipment
22 includes, but is not limited to, soil testing sensors,
23 computers, monitors, software, global positioning and
24 mapping systems, and other such equipment.

25 Farm machinery and equipment also includes computers,
26 sensors, software, and related equipment used primarily in

1 the computer-assisted operation of production agriculture
2 facilities, equipment, and activities such as, but not
3 limited to, the collection, monitoring, and correlation of
4 animal and crop data for the purpose of formulating animal
5 diets and agricultural chemicals.

6 Beginning on January 1, 2024, farm machinery and
7 equipment also includes electrical power generation
8 equipment used primarily for production agriculture.

9 This item (2) is exempt from the provisions of Section
10 2-70.

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

18 (4) Until July 1, 2003 and beginning again September
19 1, 2004 through August 30, 2014, graphic arts machinery
20 and equipment, including repair and replacement parts,
21 both new and used, and including that manufactured on
22 special order or purchased for lease, certified by the
23 purchaser to be used primarily for graphic arts
24 production. Equipment includes chemicals or chemicals
25 acting as catalysts but only if the chemicals or chemicals
26 acting as catalysts effect a direct and immediate change

1 upon a graphic arts product. Beginning on July 1, 2017,
2 graphic arts machinery and equipment is included in the
3 manufacturing and assembling machinery and equipment
4 exemption under paragraph (14).

5 (5) A motor vehicle that is used for automobile
6 renting, as defined in the Automobile Renting Occupation
7 and Use Tax Act. This paragraph is exempt from the
8 provisions of Section 2-70.

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

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

15 (8) Personal property sold to an Illinois county fair
16 association for use in conducting, operating, or promoting
17 the county fair.

18 (9) Personal property sold to a not-for-profit arts or
19 cultural organization that establishes, by proof required
20 by the Department by rule, that it has received an
21 exemption under Section 501(c)(3) of the Internal Revenue
22 Code and that is organized and operated primarily for the
23 presentation or support of arts or cultural programming,
24 activities, or services. These organizations include, but
25 are not limited to, music and dramatic arts organizations
26 such as symphony orchestras and theatrical groups, arts

1 and cultural service organizations, local arts councils,
2 visual arts organizations, and media arts organizations.
3 On and after July 1, 2001 (the effective date of Public Act
4 92-35), however, an entity otherwise eligible for this
5 exemption shall not make tax-free purchases unless it has
6 an active identification number issued by the Department.

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

14 (11) Except as otherwise provided in this Section,
15 personal property sold to a governmental body, to a
16 corporation, society, association, foundation, or
17 institution organized and operated exclusively for
18 charitable, religious, or educational purposes, or to a
19 not-for-profit corporation, society, association,
20 foundation, institution, or organization that has no
21 compensated officers or employees and that is organized
22 and operated primarily for the recreation of persons 55
23 years of age or older. A limited liability company may
24 qualify for the exemption under this paragraph only if the
25 limited liability company is organized and operated
26 exclusively for educational purposes. On and after July 1,

1 1987, however, no entity otherwise eligible for this
2 exemption shall make tax-free purchases unless it has an
3 active identification number issued by the Department.

4 (12) (Blank).

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

25 (13) Proceeds from sales to owners or lessors,
26 lessees, or shippers of tangible personal property that is

1 utilized by interstate carriers for hire for use as
2 rolling stock moving in interstate commerce and equipment
3 operated by a telecommunications provider, licensed as a
4 common carrier by the Federal Communications Commission,
5 which is permanently installed in or affixed to aircraft
6 moving in interstate commerce.

7 (14) Machinery and equipment that will be used by the
8 purchaser, or a lessee of the purchaser, primarily in the
9 process of manufacturing or assembling tangible personal
10 property for wholesale or retail sale or lease, whether
11 the sale or lease is made directly by the manufacturer or
12 by some other person, whether the materials used in the
13 process are owned by the manufacturer or some other
14 person, or whether the sale or lease is made apart from or
15 as an incident to the seller's engaging in the service
16 occupation of producing machines, tools, dies, jigs,
17 patterns, gauges, or other similar items of no commercial
18 value on special order for a particular purchaser. The
19 exemption provided by this paragraph (14) does not include
20 machinery and equipment used in (i) the generation of
21 electricity for wholesale or retail sale; (ii) the
22 generation or treatment of natural or artificial gas for
23 wholesale or retail sale that is delivered to customers
24 through pipes, pipelines, or mains; or (iii) the treatment
25 of water for wholesale or retail sale that is delivered to
26 customers through pipes, pipelines, or mains. The

1 provisions of Public Act 98-583 are declaratory of
2 existing law as to the meaning and scope of this
3 exemption. Beginning on July 1, 2017, the exemption
4 provided by this paragraph (14) includes, but is not
5 limited to, graphic arts machinery and equipment, as
6 defined in paragraph (4) of this Section.

7 (15) Proceeds of mandatory service charges separately
8 stated on customers' bills for purchase and consumption of
9 food and beverages, to the extent that the proceeds of the
10 service charge are in fact turned over as tips or as a
11 substitute for tips to the employees who participate
12 directly in preparing, serving, hosting or cleaning up the
13 food or beverage function with respect to which the
14 service charge is imposed.

15 (16) Tangible personal property sold to a purchaser if
16 the purchaser is exempt from use tax by operation of
17 federal law. This paragraph is exempt from the provisions
18 of Section 2-70.

19 (17) Tangible personal property sold to a common
20 carrier by rail or motor that receives the physical
21 possession of the property in Illinois and that transports
22 the property, or shares with another common carrier in the
23 transportation of the property, out of Illinois on a
24 standard uniform bill of lading showing the seller of the
25 property as the shipper or consignor of the property to a
26 destination outside Illinois, for use outside Illinois.

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

5 (19) Until July 1, 2003, oil field exploration,
6 drilling, and production equipment, including (i) rigs and
7 parts of rigs, rotary rigs, cable tool rigs, and workover
8 rigs, (ii) pipe and tubular goods, including casing and
9 drill strings, (iii) pumps and pump-jack units, (iv)
10 storage tanks and flow lines, (v) any individual
11 replacement part for oil field exploration, drilling, and
12 production equipment, and (vi) machinery and equipment
13 purchased for lease; but excluding motor vehicles required
14 to be registered under the Illinois Vehicle Code.

15 (20) Photoprocessing machinery and equipment,
16 including repair and replacement parts, both new and used,
17 including that manufactured on special order, certified by
18 the purchaser to be used primarily for photoprocessing,
19 and including photoprocessing machinery and equipment
20 purchased for lease.

21 (21) Until July 1, 2028, coal and aggregate
22 exploration, mining, off-highway hauling, processing,
23 maintenance, and reclamation equipment, including
24 replacement parts and equipment, and including equipment
25 purchased for lease, but excluding motor vehicles required
26 to be registered under the Illinois Vehicle Code. The

1 changes made to this Section by Public Act 97-767 apply on
2 and after July 1, 2003, but no claim for credit or refund
3 is allowed on or after August 16, 2013 (the effective date
4 of Public Act 98-456) for such taxes paid during the
5 period beginning July 1, 2003 and ending on August 16,
6 2013 (the effective date of Public Act 98-456).

7 (22) Until June 30, 2013, fuel and petroleum products
8 sold to or used by an air carrier, certified by the carrier
9 to be used for consumption, shipment, or storage in the
10 conduct of its business as an air common carrier, for a
11 flight destined for or returning from a location or
12 locations outside the United States without regard to
13 previous or subsequent domestic stopovers.

14 Beginning July 1, 2013, fuel and petroleum products
15 sold to or used by an air carrier, certified by the carrier
16 to be used for consumption, shipment, or storage in the
17 conduct of its business as an air common carrier, for a
18 flight that (i) is engaged in foreign trade or is engaged
19 in trade between the United States and any of its
20 possessions and (ii) transports at least one individual or
21 package for hire from the city of origination to the city
22 of final destination on the same aircraft, without regard
23 to a change in the flight number of that aircraft.

24 (23) A transaction in which the purchase order is
25 received by a florist who is located outside Illinois, but
26 who has a florist located in Illinois deliver the property

1 to the purchaser or the purchaser's donee in Illinois.

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

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

21 (25-5) The exemption under item (25) does not apply if
22 the state in which the motor vehicle will be titled does
23 not allow a reciprocal exemption for a motor vehicle sold
24 and delivered in that state to an Illinois resident but
25 titled in Illinois. The tax collected under this Act on
26 the sale of a motor vehicle in this State to a resident of

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

25 (25-6) There is a rebuttable presumption that the
26 exemption under item (25) does not apply if the purchaser

1 is a limited liability company and a member of the limited
2 liability company is a resident of Illinois. This
3 presumption may be rebutted by other evidence, such as
4 evidence the motor vehicle is insured at a garaging or
5 storage address outside Illinois or other evidence of the
6 physical address at which the motor vehicle will be
7 permanently stored or garaged outside Illinois.

8 (25-7) Beginning on July 1, 2007, no tax is imposed
9 under this Act on the sale of an aircraft, as defined in
10 Section 3 of the Illinois Aeronautics Act, if all of the
11 following conditions are met:

12 (1) the aircraft leaves this State within 15 days
13 after the later of either the issuance of the final
14 billing for the sale of the aircraft, or the
15 authorized approval for return to service, completion
16 of the maintenance record entry, and completion of the
17 test flight and ground test for inspection, as
18 required by 14 CFR 91.407;

19 (2) the aircraft is not based or registered in
20 this State after the sale of the aircraft; and

21 (3) the seller retains in his or her books and
22 records and provides to the Department a signed and
23 dated certification from the purchaser, on a form
24 prescribed by the Department, certifying that the
25 requirements of this item (25-7) are met. The
26 certificate must also include the name and address of

1 the purchaser, the address of the location where the
2 aircraft is to be titled or registered, the address of
3 the primary physical location of the aircraft, and
4 other information that the Department may reasonably
5 require.

6 For purposes of this item (25-7):

7 "Based in this State" means hangared, stored, or
8 otherwise used, excluding post-sale customizations as
9 defined in this Section, for 10 or more days in each
10 12-month period immediately following the date of the sale
11 of the aircraft.

12 "Registered in this State" means an aircraft
13 registered with the Department of Transportation,
14 Aeronautics Division, or titled or registered with the
15 Federal Aviation Administration to an address located in
16 this State.

17 This paragraph (25-7) is exempt from the provisions of
18 Section 2-70.

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

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

1 is exempt from the provisions of Section 2-70, and the
2 exemption provided for under this item (27) applies for
3 all periods beginning May 30, 1995, but no claim for
4 credit or refund is allowed on or after January 1, 2008
5 (the effective date of Public Act 95-88) for such taxes
6 paid during the period beginning May 30, 2000 and ending
7 on January 1, 2008 (the effective date of Public Act
8 95-88).

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

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

23 (30) Beginning with taxable years ending on or after
24 December 31, 1995 and ending with taxable years ending on
25 or before December 31, 2004, personal property that is
26 donated for disaster relief to be used in a State or

1 federally declared disaster area in Illinois or bordering
2 Illinois by a manufacturer or retailer that is registered
3 in this State to a corporation, society, association,
4 foundation, or institution that has been issued a sales
5 tax exemption identification number by the Department that
6 assists victims of the disaster who reside within the
7 declared disaster area.

8 (31) Beginning with taxable years ending on or after
9 December 31, 1995 and ending with taxable years ending on
10 or before December 31, 2004, personal property that is
11 used in the performance of infrastructure repairs in this
12 State, including, but not limited to, municipal roads and
13 streets, access roads, bridges, sidewalks, waste disposal
14 systems, water and sewer line extensions, water
15 distribution and purification facilities, storm water
16 drainage and retention facilities, and sewage treatment
17 facilities, resulting from a State or federally declared
18 disaster in Illinois or bordering Illinois when such
19 repairs are initiated on facilities located in the
20 declared disaster area within 6 months after the disaster.

21 (32) Beginning July 1, 1999, game or game birds sold
22 at a "game breeding and hunting preserve area" as that
23 term is used in the Wildlife Code. This paragraph is
24 exempt from the provisions of Section 2-70.

25 (33) A motor vehicle, as that term is defined in
26 Section 1-146 of the Illinois Vehicle Code, that is

1 donated to a corporation, limited liability company,
2 society, association, foundation, or institution that is
3 determined by the Department to be organized and operated
4 exclusively for educational purposes. For purposes of this
5 exemption, "a corporation, limited liability company,
6 society, association, foundation, or institution organized
7 and operated exclusively for educational purposes" means
8 all tax-supported public schools, private schools that
9 offer systematic instruction in useful branches of
10 learning by methods common to public schools and that
11 compare favorably in their scope and intensity with the
12 course of study presented in tax-supported schools, and
13 vocational or technical schools or institutes organized
14 and operated exclusively to provide a course of study of
15 not less than 6 weeks duration and designed to prepare
16 individuals to follow a trade or to pursue a manual,
17 technical, mechanical, industrial, business, or commercial
18 occupation.

19 (34) Beginning January 1, 2000, personal property,
20 including food, purchased through fundraising events for
21 the benefit of a public or private elementary or secondary
22 school, a group of those schools, or one or more school
23 districts if the events are sponsored by an entity
24 recognized by the school district that consists primarily
25 of volunteers and includes parents and teachers of the
26 school children. This paragraph does not apply to

1 fundraising events (i) for the benefit of private home
2 instruction or (ii) for which the fundraising entity
3 purchases the personal property sold at the events from
4 another individual or entity that sold the property for
5 the purpose of resale by the fundraising entity and that
6 profits from the sale to the fundraising entity. This
7 paragraph is exempt from the provisions of Section 2-70.

8 (35) Beginning January 1, 2000 and through December
9 31, 2001, new or used automatic vending machines that
10 prepare and serve hot food and beverages, including
11 coffee, soup, and other items, and replacement parts for
12 these machines. Beginning January 1, 2002 and through June
13 30, 2003, machines and parts for machines used in
14 commercial, coin-operated amusement and vending business
15 if a use or occupation tax is paid on the gross receipts
16 derived from the use of the commercial, coin-operated
17 amusement and vending machines. This paragraph is exempt
18 from the provisions of Section 2-70.

19 (35-5) Beginning August 23, 2001 and through June 30,
20 2016, food for human consumption that is to be consumed
21 off the premises where it is sold (other than alcoholic
22 beverages, soft drinks, and food that has been prepared
23 for immediate consumption) and prescription and
24 nonprescription medicines, drugs, medical appliances, and
25 insulin, urine testing materials, syringes, and needles
26 used by diabetics, for human use, when purchased for use

1 by a person receiving medical assistance under Article V
2 of the Illinois Public Aid Code who resides in a licensed
3 long-term care facility, as defined in the Nursing Home
4 Care Act, or a licensed facility as defined in the ID/DD
5 Community Care Act, the MC/DD Act, or the Specialized
6 Mental Health Rehabilitation Act of 2013.

7 (36) Beginning August 2, 2001, computers and
8 communications equipment utilized for any hospital purpose
9 and equipment used in the diagnosis, analysis, or
10 treatment of hospital patients sold to a lessor who leases
11 the equipment, under a lease of one year or longer
12 executed or in effect at the time of the purchase, to a
13 hospital that has been issued an active tax exemption
14 identification number by the Department under Section 1g
15 of this Act. This paragraph is exempt from the provisions
16 of Section 2-70.

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

24 (38) Beginning on January 1, 2002 and through June 30,
25 2016, tangible personal property purchased from an
26 Illinois retailer by a taxpayer engaged in centralized

1 purchasing activities in Illinois who will, upon receipt
2 of the property in Illinois, temporarily store the
3 property in Illinois (i) for the purpose of subsequently
4 transporting it outside this State for use or consumption
5 thereafter solely outside this State or (ii) for the
6 purpose of being processed, fabricated, or manufactured
7 into, attached to, or incorporated into other tangible
8 personal property to be transported outside this State and
9 thereafter used or consumed solely outside this State. The
10 Director of Revenue shall, pursuant to rules adopted in
11 accordance with the Illinois Administrative Procedure Act,
12 issue a permit to any taxpayer in good standing with the
13 Department who is eligible for the exemption under this
14 paragraph (38). The permit issued under this paragraph
15 (38) shall authorize the holder, to the extent and in the
16 manner specified in the rules adopted under this Act, to
17 purchase tangible personal property from a retailer exempt
18 from the taxes imposed by this Act. Taxpayers shall
19 maintain all necessary books and records to substantiate
20 the use and consumption of all such tangible personal
21 property outside of the State of Illinois.

22 (39) Beginning January 1, 2008, tangible personal
23 property used in the construction or maintenance of a
24 community water supply, as defined under Section 3.145 of
25 the Environmental Protection Act, that is operated by a
26 not-for-profit corporation that holds a valid water supply

1 permit issued under Title IV of the Environmental
2 Protection Act. This paragraph is exempt from the
3 provisions of Section 2-70.

4 (40) Beginning January 1, 2010 and continuing through
5 December 31, 2029, materials, parts, equipment,
6 components, and furnishings incorporated into or upon an
7 aircraft as part of the modification, refurbishment,
8 completion, replacement, repair, or maintenance of the
9 aircraft. This exemption includes consumable supplies used
10 in the modification, refurbishment, completion,
11 replacement, repair, and maintenance of aircraft. However,
12 until January 1, 2024, this exemption excludes any
13 materials, parts, equipment, components, and consumable
14 supplies used in the modification, replacement, repair,
15 and maintenance of aircraft engines or power plants,
16 whether such engines or power plants are installed or
17 uninstalled upon any such aircraft. "Consumable supplies"
18 include, but are not limited to, adhesive, tape,
19 sandpaper, general purpose lubricants, cleaning solution,
20 latex gloves, and protective films.

21 Beginning January 1, 2010 and continuing through
22 December 31, 2023, this exemption applies only to the sale
23 of qualifying tangible personal property to persons who
24 modify, refurbish, complete, replace, or maintain an
25 aircraft and who (i) hold an Air Agency Certificate and
26 are empowered to operate an approved repair station by the

1 Federal Aviation Administration, (ii) have a Class IV
2 Rating, and (iii) conduct operations in accordance with
3 Part 145 of the Federal Aviation Regulations. The
4 exemption does not include aircraft operated by a
5 commercial air carrier providing scheduled passenger air
6 service pursuant to authority issued under Part 121 or
7 Part 129 of the Federal Aviation Regulations. From January
8 1, 2024 through December 31, 2029, this exemption applies
9 only to the sale of qualifying tangible personal property
10 to: (A) persons who modify, refurbish, complete, repair,
11 replace, or maintain aircraft and who (i) hold an Air
12 Agency Certificate and are empowered to operate an
13 approved repair station by the Federal Aviation
14 Administration, (ii) have a Class IV Rating, and (iii)
15 conduct operations in accordance with Part 145 of the
16 Federal Aviation Regulations; and (B) persons who engage
17 in the modification, replacement, repair, and maintenance
18 of aircraft engines or power plants without regard to
19 whether or not those persons meet the qualifications of
20 item (A).

21 The changes made to this paragraph (40) by Public Act
22 98-534 are declarative of existing law. It is the intent
23 of the General Assembly that the exemption under this
24 paragraph (40) applies continuously from January 1, 2010
25 through December 31, 2024; however, no claim for credit or
26 refund is allowed for taxes paid as a result of the

1 disallowance of this exemption on or after January 1, 2015
2 and prior to February 5, 2020 (the effective date of
3 Public Act 101-629).

4 (41) Tangible personal property sold to a
5 public-facilities corporation, as described in Section
6 11-65-10 of the Illinois Municipal Code, for purposes of
7 constructing or furnishing a municipal convention hall,
8 but only if the legal title to the municipal convention
9 hall is transferred to the municipality without any
10 further consideration by or on behalf of the municipality
11 at the time of the completion of the municipal convention
12 hall or upon the retirement or redemption of any bonds or
13 other debt instruments issued by the public-facilities
14 corporation in connection with the development of the
15 municipal convention hall. This exemption includes
16 existing public-facilities corporations as provided in
17 Section 11-65-25 of the Illinois Municipal Code. This
18 paragraph is exempt from the provisions of Section 2-70.

19 (42) Beginning January 1, 2017 and through December
20 31, 2026, menstrual pads, tampons, and menstrual cups.

21 (43) Merchandise that is subject to the Rental
22 Purchase Agreement Occupation and Use Tax. The purchaser
23 must certify that the item is purchased to be rented
24 subject to a rental-purchase agreement, as defined in the
25 Rental-Purchase Agreement Act, and provide proof of
26 registration under the Rental Purchase Agreement

1 Occupation and Use Tax Act. This paragraph is exempt from
2 the provisions of Section 2-70.

3 (44) Qualified tangible personal property used in the
4 construction or operation of a data center that has been
5 granted a certificate of exemption by the Department of
6 Commerce and Economic Opportunity, whether that tangible
7 personal property is purchased by the owner, operator, or
8 tenant of the data center or by a contractor or
9 subcontractor of the owner, operator, or tenant. Data
10 centers that would have qualified for a certificate of
11 exemption prior to January 1, 2020 had Public Act 101-31
12 been in effect, may apply for and obtain an exemption for
13 subsequent purchases of computer equipment or enabling
14 software purchased or leased to upgrade, supplement, or
15 replace computer equipment or enabling software purchased
16 or leased in the original investment that would have
17 qualified.

18 The Department of Commerce and Economic Opportunity
19 shall grant a certificate of exemption under this item
20 (44) to qualified data centers as defined by Section
21 605-1025 of the Department of Commerce and Economic
22 Opportunity Law of the Civil Administrative Code of
23 Illinois.

24 For the purposes of this item (44):

25 "Data center" means a building or a series of
26 buildings rehabilitated or constructed to house

1 working servers in one physical location or multiple
2 sites within the State of Illinois.

3 "Qualified tangible personal property" means:
4 electrical systems and equipment; climate control and
5 chilling equipment and systems; mechanical systems and
6 equipment; monitoring and secure systems; emergency
7 generators; hardware; computers; servers; data storage
8 devices; network connectivity equipment; racks;
9 cabinets; telecommunications cabling infrastructure;
10 raised floor systems; peripheral components or
11 systems; software; mechanical, electrical, or plumbing
12 systems; battery systems; cooling systems and towers;
13 temperature control systems; other cabling; and other
14 data center infrastructure equipment and systems
15 necessary to operate qualified tangible personal
16 property, including fixtures; and component parts of
17 any of the foregoing, including installation,
18 maintenance, repair, refurbishment, and replacement of
19 qualified tangible personal property to generate,
20 transform, transmit, distribute, or manage electricity
21 necessary to operate qualified tangible personal
22 property; and all other tangible personal property
23 that is essential to the operations of a computer data
24 center. The term "qualified tangible personal
25 property" also includes building materials physically
26 incorporated into the qualifying data center. To

1 document the exemption allowed under this Section, the
2 retailer must obtain from the purchaser a copy of the
3 certificate of eligibility issued by the Department of
4 Commerce and Economic Opportunity.

5 This item (44) is exempt from the provisions of
6 Section 2-70.

7 (45) Beginning January 1, 2020 and through December
8 31, 2020, sales of tangible personal property made by a
9 marketplace seller over a marketplace for which tax is due
10 under this Act but for which use tax has been collected and
11 remitted to the Department by a marketplace facilitator
12 under Section 2d of the Use Tax Act are exempt from tax
13 under this Act. A marketplace seller claiming this
14 exemption shall maintain books and records demonstrating
15 that the use tax on such sales has been collected and
16 remitted by a marketplace facilitator. Marketplace sellers
17 that have properly remitted tax under this Act on such
18 sales may file a claim for credit as provided in Section 6
19 of this Act. No claim is allowed, however, for such taxes
20 for which a credit or refund has been issued to the
21 marketplace facilitator under the Use Tax Act, or for
22 which the marketplace facilitator has filed a claim for
23 credit or refund under the Use Tax Act.

24 (46) Beginning July 1, 2022, breast pumps, breast pump
25 collection and storage supplies, and breast pump kits.
26 This item (46) is exempt from the provisions of Section

1 2-70. As used in this item (46):

2 "Breast pump" means an electrically controlled or
3 manually controlled pump device designed or marketed to be
4 used to express milk from a human breast during lactation,
5 including the pump device and any battery, AC adapter, or
6 other power supply unit that is used to power the pump
7 device and is packaged and sold with the pump device at the
8 time of sale.

9 "Breast pump collection and storage supplies" means
10 items of tangible personal property designed or marketed
11 to be used in conjunction with a breast pump to collect
12 milk expressed from a human breast and to store collected
13 milk until it is ready for consumption.

14 "Breast pump collection and storage supplies"
15 includes, but is not limited to: breast shields and breast
16 shield connectors; breast pump tubes and tubing adapters;
17 breast pump valves and membranes; backflow protectors and
18 backflow protector adaptors; bottles and bottle caps
19 specific to the operation of the breast pump; and breast
20 milk storage bags.

21 "Breast pump collection and storage supplies" does not
22 include: (1) bottles and bottle caps not specific to the
23 operation of the breast pump; (2) breast pump travel bags
24 and other similar carrying accessories, including ice
25 packs, labels, and other similar products; (3) breast pump
26 cleaning supplies; (4) nursing bras, bra pads, breast

1 shells, and other similar products; and (5) creams,
2 ointments, and other similar products that relieve
3 breastfeeding-related symptoms or conditions of the
4 breasts or nipples, unless sold as part of a breast pump
5 kit that is pre-packaged by the breast pump manufacturer
6 or distributor.

7 "Breast pump kit" means a kit that: (1) contains no
8 more than a breast pump, breast pump collection and
9 storage supplies, a rechargeable battery for operating the
10 breast pump, a breastmilk cooler, bottle stands, ice
11 packs, and a breast pump carrying case; and (2) is
12 pre-packaged as a breast pump kit by the breast pump
13 manufacturer or distributor.

14 (47) Tangible personal property sold by or on behalf
15 of the State Treasurer pursuant to the Revised Uniform
16 Unclaimed Property Act. This item (47) is exempt from the
17 provisions of Section 2-70.

18 (48) Beginning on January 1, 2024, tangible personal
19 property purchased by an active duty member of the armed
20 forces of the United States who presents valid military
21 identification and purchases the property using a form of
22 payment where the federal government is the payor. The
23 member of the armed forces must complete, at the point of
24 sale, a form prescribed by the Department of Revenue
25 documenting that the transaction is eligible for the
26 exemption under this paragraph. Retailers must keep the

1 form as documentation of the exemption in their records
2 for a period of not less than 6 years. "Armed forces of the
3 United States" means the United States Army, Navy, Air
4 Force, Space Force, Marine Corps, or Coast Guard. This
5 paragraph is exempt from the provisions of Section 2-70.

6 (49) Beginning July 1, 2024, home-delivered meals
7 provided to Medicare or Medicaid recipients when payment
8 is made by an intermediary, such as a Medicare
9 Administrative Contractor, a Managed Care Organization, or
10 a Medicare Advantage Organization, pursuant to a
11 government contract. This paragraph (49) is exempt from
12 the provisions of Section 2-70.

13 (50) Beginning on January 1, 2026, as further defined
14 in Section 2-10, food for human consumption that is to be
15 consumed off the premises where it is sold (other than
16 alcoholic beverages, food consisting of or infused with
17 adult use cannabis, soft drinks, candy, and food that has
18 been prepared for immediate consumption). This item (50)
19 is exempt from the provisions of Section 2-70.

20 (51) Gross receipts from the lease of the following
21 tangible personal property:

22 (1) computer software transferred subject to a
23 license that meets the following requirements:

24 (A) it is evidenced by a written agreement
25 signed by the licensor and the customer;

26 (i) an electronic agreement in which the

1 customer accepts the license by means of an
2 electronic signature that is verifiable and
3 can be authenticated and is attached to or
4 made part of the license will comply with this
5 requirement;

6 (ii) a license agreement in which the
7 customer electronically accepts the terms by
8 clicking "I agree" does not comply with this
9 requirement;

10 (B) it restricts the customer's duplication
11 and use of the software;

12 (C) it prohibits the customer from licensing,
13 sublicensing, or transferring the software to a
14 third party (except to a related party) without
15 the permission and continued control of the
16 licensor;

17 (D) the licensor has a policy of providing
18 another copy at minimal or no charge if the
19 customer loses or damages the software, or of
20 permitting the licensee to make and keep an
21 archival copy, and such policy is either stated in
22 the license agreement, supported by the licensor's
23 books and records, or supported by a notarized
24 statement made under penalties of perjury by the
25 licensor; and

26 (E) the customer must destroy or return all

1 copies of the software to the licensor at the end
2 of the license period; this provision is deemed to
3 be met, in the case of a perpetual license,
4 without being set forth in the license agreement;
5 and

6 (2) property that is subject to a tax on lease
7 receipts imposed by a home rule unit of local
8 government if the ordinance imposing that tax was
9 adopted prior to January 1, 2023.

10 (52) Building materials to be incorporated into real
11 estate within a border community certified under the
12 Border Community Act; to qualify for the exemption under
13 this paragraph, the retailer must obtain from the
14 purchaser a Border Community Materials Exemption
15 Certificate number issued by the Department; this
16 paragraph is exempt from the provisions of Section Section
17 2-70.

18 (Source: P.A. 103-9, Article 5, Section 5-20, eff. 6-7-23;
19 103-9, Article 15, Section 15-20, eff. 6-7-23; 103-154, eff.
20 6-30-23; 103-384, eff. 1-1-24; 103-592, eff. 1-1-25; 103-605,
21 eff. 7-1-24; 103-643, eff. 7-1-24; 103-746, eff. 1-1-25;
22 103-781, eff. 8-5-24; 103-995, eff. 8-9-24; 104-6, eff.
23 6-16-25; 104-417, eff. 8-15-25.)

24 Section 930. The Property Tax Code is amended by adding
25 Section 18-184.22 as follows:

1 (35 ILCS 200/18-184.22 new)

2 Sec. 18-184.22. Border community abatement. Any taxing
3 district, upon a majority vote of its governing body, may
4 order the county clerk to abate any portion of real property
5 taxes otherwise levied or extended by the taxing district on
6 specified property located in a border community certified
7 under the Border Community Act.