

**SB3772**



**101ST GENERAL ASSEMBLY**

**State of Illinois**

**2019 and 2020**

**SB3772**

Introduced 2/14/2020, by Sen. Bill Cunningham

**SYNOPSIS AS INTRODUCED:**

35 ILCS 5/1501

from Ch. 120, par. 15-1501

Amends the Illinois Income Tax Act. Makes changes to the definition of investment partnership to provide that a dealer in qualifying investment securities may be considered an investment partnership. Allows a partnership interest to be considered a qualified security if the interest qualifies as a security within the meaning of Section 2(a)(1) of the federal Securities Act of 1933. Effective immediately.

LRB101 19863 HLH 69383 b

FISCAL NOTE ACT  
MAY APPLY

**A BILL FOR**

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 1501 as follows:

6 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)  
7 Sec. 1501. Definitions.

8 (a) In general. When used in this Act, where not otherwise  
9 distinctly expressed or manifestly incompatible with the  
10 intent thereof:

11 (1) Business income. The term "business income" means  
12 all income that may be treated as apportionable business  
13 income under the Constitution of the United States.  
14 Business income is net of the deductions allocable thereto.  
15 Such term does not include compensation or the deductions  
16 allocable thereto. For each taxable year beginning on or  
17 after January 1, 2003, a taxpayer may elect to treat all  
18 income other than compensation as business income. This  
19 election shall be made in accordance with rules adopted by  
20 the Department and, once made, shall be irrevocable.

21 (1.5) Captive real estate investment trust:

22 (A) The term "captive real estate investment  
23 trust" means a corporation, trust, or association:

1 (i) that is considered a real estate  
2 investment trust for the taxable year under  
3 Section 856 of the Internal Revenue Code;

4 (ii) the certificates of beneficial interest  
5 or shares of which are not regularly traded on an  
6 established securities market; and

7 (iii) of which more than 50% of the voting  
8 power or value of the beneficial interest or  
9 shares, at any time during the last half of the  
10 taxable year, is owned or controlled, directly,  
11 indirectly, or constructively, by a single  
12 corporation.

13 (B) The term "captive real estate investment  
14 trust" does not include:

15 (i) a real estate investment trust of which  
16 more than 50% of the voting power or value of the  
17 beneficial interest or shares is owned or  
18 controlled, directly, indirectly, or  
19 constructively, by:

20 (a) a real estate investment trust, other  
21 than a captive real estate investment trust;

22 (b) a person who is exempt from taxation  
23 under Section 501 of the Internal Revenue Code,  
24 and who is not required to treat income  
25 received from the real estate investment trust  
26 as unrelated business taxable income under

1 Section 512 of the Internal Revenue Code;

2 (c) a listed Australian property trust, if  
3 no more than 50% of the voting power or value  
4 of the beneficial interest or shares of that  
5 trust, at any time during the last half of the  
6 taxable year, is owned or controlled, directly  
7 or indirectly, by a single person;

8 (d) an entity organized as a trust,  
9 provided a listed Australian property trust  
10 described in subparagraph (c) owns or  
11 controls, directly or indirectly, or  
12 constructively, 75% or more of the voting power  
13 or value of the beneficial interests or shares  
14 of such entity; or

15 (e) an entity that is organized outside of  
16 the laws of the United States and that  
17 satisfies all of the following criteria:

18 (1) at least 75% of the entity's total  
19 asset value at the close of its taxable  
20 year is represented by real estate assets  
21 (as defined in Section 856(c)(5)(B) of the  
22 Internal Revenue Code, thereby including  
23 shares or certificates of beneficial  
24 interest in any real estate investment  
25 trust), cash and cash equivalents, and  
26 U.S. Government securities;

1           (2) the entity is not subject to tax on  
2 amounts that are distributed to its  
3 beneficial owners or is exempt from  
4 entity-level taxation;

5           (3) the entity distributes at least  
6 85% of its taxable income (as computed in  
7 the jurisdiction in which it is organized)  
8 to the holders of its shares or  
9 certificates of beneficial interest on an  
10 annual basis;

11           (4) either (i) the shares or  
12 beneficial interests of the entity are  
13 regularly traded on an established  
14 securities market or (ii) not more than 10%  
15 of the voting power or value in the entity  
16 is held, directly, indirectly, or  
17 constructively, by a single entity or  
18 individual; and

19           (5) the entity is organized in a  
20 country that has entered into a tax treaty  
21 with the United States; or

22           (ii) during its first taxable year for which it  
23 elects to be treated as a real estate investment  
24 trust under Section 856(c)(1) of the Internal  
25 Revenue Code, a real estate investment trust the  
26 certificates of beneficial interest or shares of

1           which are not regularly traded on an established  
2           securities market, but only if the certificates of  
3           beneficial interest or shares of the real estate  
4           investment trust are regularly traded on an  
5           established securities market prior to the earlier  
6           of the due date (including extensions) for filing  
7           its return under this Act for that first taxable  
8           year or the date it actually files that return.

9           (C) For the purposes of this subsection (1.5), the  
10          constructive ownership rules prescribed under Section  
11          318(a) of the Internal Revenue Code, as modified by  
12          Section 856(d)(5) of the Internal Revenue Code, apply  
13          in determining the ownership of stock, assets, or net  
14          profits of any person.

15          (D) For the purposes of this item (1.5), for  
16          taxable years ending on or after August 16, 2007, the  
17          voting power or value of the beneficial interest or  
18          shares of a real estate investment trust does not  
19          include any voting power or value of beneficial  
20          interest or shares in a real estate investment trust  
21          held directly or indirectly in a segregated asset  
22          account by a life insurance company (as described in  
23          Section 817 of the Internal Revenue Code) to the extent  
24          such voting power or value is for the benefit of  
25          entities or persons who are either immune from taxation  
26          or exempt from taxation under subtitle A of the

1 Internal Revenue Code.

2 (2) Commercial domicile. The term "commercial  
3 domicile" means the principal place from which the trade or  
4 business of the taxpayer is directed or managed.

5 (3) Compensation. The term "compensation" means wages,  
6 salaries, commissions and any other form of remuneration  
7 paid to employees for personal services.

8 (4) Corporation. The term "corporation" includes  
9 associations, joint-stock companies, insurance companies  
10 and cooperatives. Any entity, including a limited  
11 liability company formed under the Illinois Limited  
12 Liability Company Act, shall be treated as a corporation if  
13 it is so classified for federal income tax purposes.

14 (5) Department. The term "Department" means the  
15 Department of Revenue of this State.

16 (6) Director. The term "Director" means the Director of  
17 Revenue of this State.

18 (7) Fiduciary. The term "fiduciary" means a guardian,  
19 trustee, executor, administrator, receiver, or any person  
20 acting in any fiduciary capacity for any person.

21 (8) Financial organization.

22 (A) The term "financial organization" means any  
23 bank, bank holding company, trust company, savings  
24 bank, industrial bank, land bank, safe deposit  
25 company, private banker, savings and loan association,  
26 building and loan association, credit union, currency

1 exchange, cooperative bank, small loan company, sales  
2 finance company, investment company, or any person  
3 which is owned by a bank or bank holding company. For  
4 the purpose of this Section a "person" will include  
5 only those persons which a bank holding company may  
6 acquire and hold an interest in, directly or  
7 indirectly, under the provisions of the Bank Holding  
8 Company Act of 1956 (12 U.S.C. 1841, et seq.), except  
9 where interests in any person must be disposed of  
10 within certain required time limits under the Bank  
11 Holding Company Act of 1956.

12 (B) For purposes of subparagraph (A) of this  
13 paragraph, the term "bank" includes (i) any entity that  
14 is regulated by the Comptroller of the Currency under  
15 the National Bank Act, or by the Federal Reserve Board,  
16 or by the Federal Deposit Insurance Corporation and  
17 (ii) any federally or State chartered bank operating as  
18 a credit card bank.

19 (C) For purposes of subparagraph (A) of this  
20 paragraph, the term "sales finance company" has the  
21 meaning provided in the following item (i) or (ii):

22 (i) A person primarily engaged in one or more  
23 of the following businesses: the business of  
24 purchasing customer receivables, the business of  
25 making loans upon the security of customer  
26 receivables, the business of making loans for the



1 express purpose of funding purchases of tangible  
2 personal property or services by the borrower, or  
3 the business of finance leasing. For purposes of  
4 this item (i), "customer receivable" means:

5 (a) a retail installment contract or  
6 retail charge agreement within the meaning of  
7 the Sales Finance Agency Act, the Retail  
8 Installment Sales Act, or the Motor Vehicle  
9 Retail Installment Sales Act;

10 (b) an installment, charge, credit, or  
11 similar contract or agreement arising from the  
12 sale of tangible personal property or services  
13 in a transaction involving a deferred payment  
14 price payable in one or more installments  
15 subsequent to the sale; or

16 (c) the outstanding balance of a contract  
17 or agreement described in provisions (a) or (b)  
18 of this item (i).

19 A customer receivable need not provide for  
20 payment of interest on deferred payments. A sales  
21 finance company may purchase a customer receivable  
22 from, or make a loan secured by a customer  
23 receivable to, the seller in the original  
24 transaction or to a person who purchased the  
25 customer receivable directly or indirectly from  
26 that seller.

1           (ii) A corporation meeting each of the  
2 following criteria:

3           (a) the corporation must be a member of an  
4 "affiliated group" within the meaning of  
5 Section 1504(a) of the Internal Revenue Code,  
6 determined without regard to Section 1504(b)  
7 of the Internal Revenue Code;

8           (b) more than 50% of the gross income of  
9 the corporation for the taxable year must be  
10 interest income derived from qualifying loans.  
11 A "qualifying loan" is a loan made to a member  
12 of the corporation's affiliated group that  
13 originates customer receivables (within the  
14 meaning of item (i)) or to whom customer  
15 receivables originated by a member of the  
16 affiliated group have been transferred, to the  
17 extent the average outstanding balance of  
18 loans from that corporation to members of its  
19 affiliated group during the taxable year do not  
20 exceed the limitation amount for that  
21 corporation. The "limitation amount" for a  
22 corporation is the average outstanding  
23 balances during the taxable year of customer  
24 receivables (within the meaning of item (i))  
25 originated by all members of the affiliated  
26 group. If the average outstanding balances of

1 the loans made by a corporation to members of  
2 its affiliated group exceed the limitation  
3 amount, the interest income of that  
4 corporation from qualifying loans shall be  
5 equal to its interest income from loans to  
6 members of its affiliated groups times a  
7 fraction equal to the limitation amount  
8 divided by the average outstanding balances of  
9 the loans made by that corporation to members  
10 of its affiliated group;

11 (c) the total of all shareholder's equity  
12 (including, without limitation, paid-in  
13 capital on common and preferred stock and  
14 retained earnings) of the corporation plus the  
15 total of all of its loans, advances, and other  
16 obligations payable or owed to members of its  
17 affiliated group may not exceed 20% of the  
18 total assets of the corporation at any time  
19 during the tax year; and

20 (d) more than 50% of all interest-bearing  
21 obligations of the affiliated group payable to  
22 persons outside the group determined in  
23 accordance with generally accepted accounting  
24 principles must be obligations of the  
25 corporation.

26 This amendatory Act of the 91st General Assembly is

1 declaratory of existing law.

2 (D) Subparagraphs (B) and (C) of this paragraph are  
3 declaratory of existing law and apply retroactively,  
4 for all tax years beginning on or before December 31,  
5 1996, to all original returns, to all amended returns  
6 filed no later than 30 days after the effective date of  
7 this amendatory Act of 1996, and to all notices issued  
8 on or before the effective date of this amendatory Act  
9 of 1996 under subsection (a) of Section 903, subsection  
10 (a) of Section 904, subsection (e) of Section 909, or  
11 Section 912. A taxpayer that is a "financial  
12 organization" that engages in any transaction with an  
13 affiliate shall be a "financial organization" for all  
14 purposes of this Act.

15 (E) For all tax years beginning on or before  
16 December 31, 1996, a taxpayer that falls within the  
17 definition of a "financial organization" under  
18 subparagraphs (B) or (C) of this paragraph, but who  
19 does not fall within the definition of a "financial  
20 organization" under the Proposed Regulations issued by  
21 the Department of Revenue on July 19, 1996, may  
22 irrevocably elect to apply the Proposed Regulations  
23 for all of those years as though the Proposed  
24 Regulations had been lawfully promulgated, adopted,  
25 and in effect for all of those years. For purposes of  
26 applying subparagraphs (B) or (C) of this paragraph to

1 all of those years, the election allowed by this  
2 subparagraph applies only to the taxpayer making the  
3 election and to those members of the taxpayer's unitary  
4 business group who are ordinarily required to  
5 apportion business income under the same subsection of  
6 Section 304 of this Act as the taxpayer making the  
7 election. No election allowed by this subparagraph  
8 shall be made under a claim filed under subsection (d)  
9 of Section 909 more than 30 days after the effective  
10 date of this amendatory Act of 1996.

11 (F) Finance Leases. For purposes of this  
12 subsection, a finance lease shall be treated as a loan  
13 or other extension of credit, rather than as a lease,  
14 regardless of how the transaction is characterized for  
15 any other purpose, including the purposes of any  
16 regulatory agency to which the lessor is subject. A  
17 finance lease is any transaction in the form of a lease  
18 in which the lessee is treated as the owner of the  
19 leased asset entitled to any deduction for  
20 depreciation allowed under Section 167 of the Internal  
21 Revenue Code.

22 (9) Fiscal year. The term "fiscal year" means an  
23 accounting period of 12 months ending on the last day of  
24 any month other than December.

25 (9.5) Fixed place of business. The term "fixed place of  
26 business" has the same meaning as that term is given in

1 Section 864 of the Internal Revenue Code and the related  
2 Treasury regulations.

3 (10) Includes and including. The terms "includes" and  
4 "including" when used in a definition contained in this Act  
5 shall not be deemed to exclude other things otherwise  
6 within the meaning of the term defined.

7 (11) Internal Revenue Code. The term "Internal Revenue  
8 Code" means the United States Internal Revenue Code of 1954  
9 or any successor law or laws relating to federal income  
10 taxes in effect for the taxable year.

11 (11.5) Investment partnership.

12 (A) The term "investment partnership" means any  
13 entity that is treated as a partnership for federal  
14 income tax purposes that meets the following  
15 requirements:

16 (i) no less than 90% of the partnership's cost  
17 of its total assets consists of qualifying  
18 investment securities, deposits at banks or other  
19 financial institutions, and office space and  
20 equipment reasonably necessary to carry on its  
21 activities as an investment partnership;

22 (ii) no less than 90% of its gross income  
23 consists of interest, dividends, and gains from  
24 the sale or exchange of qualifying investment  
25 securities; and

26 (iii) (blank). ~~the partnership is not a dealer~~

1 ~~in qualifying investment securities.~~

2 (B) For purposes of this paragraph (11.5), the term  
3 "qualifying investment securities" (other than  
4 securities with respect to which the taxpayer is  
5 required to apply the rules of Internal Revenue Code  
6 Section 475(a)) includes all of the following:

7 (i) common stock, including preferred or debt  
8 securities convertible into common stock, and  
9 preferred stock;

10 (ii) bonds, debentures, and other debt  
11 securities;

12 (iii) foreign and domestic currency deposits  
13 secured by federal, state, or local governmental  
14 agencies;

15 (iv) mortgage or asset-backed securities  
16 secured by federal, state, or local governmental  
17 agencies;

18 (v) repurchase agreements and loan  
19 participations;

20 (vi) foreign currency exchange contracts and  
21 forward and futures contracts on foreign  
22 currencies;

23 (vii) stock and bond index securities and  
24 futures contracts and other similar financial  
25 securities and futures contracts on those  
26 securities;

1 (viii) options for the purchase or sale of any  
2 of the securities, currencies, contracts, or  
3 financial instruments described in items (i) to  
4 (vii), inclusive;

5 (ix) regulated futures contracts;

6 (x) commodities (not described in Section  
7 1221(a)(1) of the Internal Revenue Code) or  
8 futures, forwards, and options with respect to  
9 such commodities, provided, however, that any item  
10 of a physical commodity to which title is actually  
11 acquired in the partnership's capacity as a dealer  
12 in such commodity shall not be a qualifying  
13 investment security;

14 (xi) derivatives; ~~and~~

15 (xii) a partnership interest in another  
16 partnership that is an investment partnership; and

17 -

18 (xiii) a partnership interest which, in the  
19 hands of the partnership, qualifies as a security  
20 within the meaning of Section 2(a)(1) of the  
21 federal Securities Act of 1933.

22 (12) Mathematical error. The term "mathematical error"  
23 includes the following types of errors, omissions, or  
24 defects in a return filed by a taxpayer which prevents  
25 acceptance of the return as filed for processing:

26 (A) arithmetic errors or incorrect computations on



1 the return or supporting schedules;

2 (B) entries on the wrong lines;

3 (C) omission of required supporting forms or  
4 schedules or the omission of the information in whole  
5 or in part called for thereon; and

6 (D) an attempt to claim, exclude, deduct, or  
7 improperly report, in a manner directly contrary to the  
8 provisions of the Act and regulations thereunder any  
9 item of income, exemption, deduction, or credit.

10 (13) Nonbusiness income. The term "nonbusiness income"  
11 means all income other than business income or  
12 compensation.

13 (14) Nonresident. The term "nonresident" means a  
14 person who is not a resident.

15 (15) Paid, incurred and accrued. The terms "paid",  
16 "incurred" and "accrued" shall be construed according to  
17 the method of accounting upon the basis of which the  
18 person's base income is computed under this Act.

19 (16) Partnership and partner. The term "partnership"  
20 includes a syndicate, group, pool, joint venture or other  
21 unincorporated organization, through or by means of which  
22 any business, financial operation, or venture is carried  
23 on, and which is not, within the meaning of this Act, a  
24 trust or estate or a corporation; and the term "partner"  
25 includes a member in such syndicate, group, pool, joint  
26 venture or organization.

1           The term "partnership" includes any entity, including  
2           a limited liability company formed under the Illinois  
3           Limited Liability Company Act, classified as a partnership  
4           for federal income tax purposes.

5           The term "partnership" does not include a syndicate,  
6           group, pool, joint venture, or other unincorporated  
7           organization established for the sole purpose of playing  
8           the Illinois State Lottery.

9           (17) Part-year resident. The term "part-year resident"  
10          means an individual who became a resident during the  
11          taxable year or ceased to be a resident during the taxable  
12          year. Under Section 1501(a)(20)(A)(i) residence commences  
13          with presence in this State for other than a temporary or  
14          transitory purpose and ceases with absence from this State  
15          for other than a temporary or transitory purpose. Under  
16          Section 1501(a)(20)(A)(ii) residence commences with the  
17          establishment of domicile in this State and ceases with the  
18          establishment of domicile in another State.

19          (18) Person. The term "person" shall be construed to  
20          mean and include an individual, a trust, estate,  
21          partnership, association, firm, company, corporation,  
22          limited liability company, or fiduciary. For purposes of  
23          Section 1301 and 1302 of this Act, a "person" means (i) an  
24          individual, (ii) a corporation, (iii) an officer, agent, or  
25          employee of a corporation, (iv) a member, agent or employee  
26          of a partnership, or (v) a member, manager, employee,

1 officer, director, or agent of a limited liability company  
2 who in such capacity commits an offense specified in  
3 Section 1301 and 1302.

4 (18A) Records. The term "records" includes all data  
5 maintained by the taxpayer, whether on paper, microfilm,  
6 microfiche, or any type of machine-sensible data  
7 compilation.

8 (19) Regulations. The term "regulations" includes  
9 rules promulgated and forms prescribed by the Department.

10 (20) Resident. The term "resident" means:

11 (A) an individual (i) who is in this State for  
12 other than a temporary or transitory purpose during the  
13 taxable year; or (ii) who is domiciled in this State  
14 but is absent from the State for a temporary or  
15 transitory purpose during the taxable year;

16 (B) The estate of a decedent who at his or her  
17 death was domiciled in this State;

18 (C) A trust created by a will of a decedent who at  
19 his death was domiciled in this State; and

20 (D) An irrevocable trust, the grantor of which was  
21 domiciled in this State at the time such trust became  
22 irrevocable. For purpose of this subparagraph, a trust  
23 shall be considered irrevocable to the extent that the  
24 grantor is not treated as the owner thereof under  
25 Sections 671 through 678 of the Internal Revenue Code.

26 (21) Sales. The term "sales" means all gross receipts

1 of the taxpayer not allocated under Sections 301, 302 and  
2 303.

3 (22) State. The term "state" when applied to a  
4 jurisdiction other than this State means any state of the  
5 United States, the District of Columbia, the Commonwealth  
6 of Puerto Rico, any Territory or Possession of the United  
7 States, and any foreign country, or any political  
8 subdivision of any of the foregoing. For purposes of the  
9 foreign tax credit under Section 601, the term "state"  
10 means any state of the United States, the District of  
11 Columbia, the Commonwealth of Puerto Rico, and any  
12 territory or possession of the United States, or any  
13 political subdivision of any of the foregoing, effective  
14 for tax years ending on or after December 31, 1989.

15 (23) Taxable year. The term "taxable year" means the  
16 calendar year, or the fiscal year ending during such  
17 calendar year, upon the basis of which the base income is  
18 computed under this Act. "Taxable year" means, in the case  
19 of a return made for a fractional part of a year under the  
20 provisions of this Act, the period for which such return is  
21 made.

22 (24) Taxpayer. The term "taxpayer" means any person  
23 subject to the tax imposed by this Act.

24 (25) International banking facility. The term  
25 international banking facility shall have the same meaning  
26 as is set forth in the Illinois Banking Act or as is set

1           forth in the laws of the United States or regulations of  
2           the Board of Governors of the Federal Reserve System.

3           (26) Income Tax Return Preparer.

4           (A) The term "income tax return preparer" means any  
5           person who prepares for compensation, or who employs  
6           one or more persons to prepare for compensation, any  
7           return of tax imposed by this Act or any claim for  
8           refund of tax imposed by this Act. The preparation of a  
9           substantial portion of a return or claim for refund  
10          shall be treated as the preparation of that return or  
11          claim for refund.

12          (B) A person is not an income tax return preparer  
13          if all he or she does is

14               (i) furnish typing, reproducing, or other  
15               mechanical assistance;

16               (ii) prepare returns or claims for refunds for  
17               the employer by whom he or she is regularly and  
18               continuously employed;

19               (iii) prepare as a fiduciary returns or claims  
20               for refunds for any person; or

21               (iv) prepare claims for refunds for a taxpayer  
22               in response to any notice of deficiency issued to  
23               that taxpayer or in response to any waiver of  
24               restriction after the commencement of an audit of  
25               that taxpayer or of another taxpayer if a  
26               determination in the audit of the other taxpayer

1           directly or indirectly affects the tax liability  
2           of the taxpayer whose claims he or she is  
3           preparing.

4           (27) Unitary business group.

5           (A) The term "unitary business group" means a group  
6           of persons related through common ownership whose  
7           business activities are integrated with, dependent  
8           upon and contribute to each other. The group will not  
9           include those members whose business activity outside  
10          the United States is 80% or more of any such member's  
11          total business activity; for purposes of this  
12          paragraph and clause (a)(3)(B)(ii) of Section 304,  
13          business activity within the United States shall be  
14          measured by means of the factors ordinarily applicable  
15          under subsections (a), (b), (c), (d), or (h) of Section  
16          304 except that, in the case of members ordinarily  
17          required to apportion business income by means of the 3  
18          factor formula of property, payroll and sales  
19          specified in subsection (a) of Section 304, including  
20          the formula as weighted in subsection (h) of Section  
21          304, such members shall not use the sales factor in the  
22          computation and the results of the property and payroll  
23          factor computations of subsection (a) of Section 304  
24          shall be divided by 2 (by one if either the property or  
25          payroll factor has a denominator of zero). The  
26          computation required by the preceding sentence shall,

1 in each case, involve the division of the member's  
2 property, payroll, or revenue miles in the United  
3 States, insurance premiums on property or risk in the  
4 United States, or financial organization business  
5 income from sources within the United States, as the  
6 case may be, by the respective worldwide figures for  
7 such items. Common ownership in the case of  
8 corporations is the direct or indirect control or  
9 ownership of more than 50% of the outstanding voting  
10 stock of the persons carrying on unitary business  
11 activity. Unitary business activity can ordinarily be  
12 illustrated where the activities of the members are:  
13 (1) in the same general line (such as manufacturing,  
14 wholesaling, retailing of tangible personal property,  
15 insurance, transportation or finance); or (2) are  
16 steps in a vertically structured enterprise or process  
17 (such as the steps involved in the production of  
18 natural resources, which might include exploration,  
19 mining, refining, and marketing); and, in either  
20 instance, the members are functionally integrated  
21 through the exercise of strong centralized management  
22 (where, for example, authority over such matters as  
23 purchasing, financing, tax compliance, product line,  
24 personnel, marketing and capital investment is not  
25 left to each member).

26 (B) In no event, for taxable years ending prior to

1 December 31, 2017, shall any unitary business group  
2 include members which are ordinarily required to  
3 apportion business income under different subsections  
4 of Section 304 except that for tax years ending on or  
5 after December 31, 1987 this prohibition shall not  
6 apply to a holding company that would otherwise be a  
7 member of a unitary business group with taxpayers that  
8 apportion business income under any of subsections  
9 (b), (c), (c-1), or (d) of Section 304. If a unitary  
10 business group would, but for the preceding sentence,  
11 include members that are ordinarily required to  
12 apportion business income under different subsections  
13 of Section 304, then for each subsection of Section 304  
14 for which there are two or more members, there shall be  
15 a separate unitary business group composed of such  
16 members. For purposes of the preceding two sentences, a  
17 member is "ordinarily required to apportion business  
18 income" under a particular subsection of Section 304 if  
19 it would be required to use the apportionment method  
20 prescribed by such subsection except for the fact that  
21 it derives business income solely from Illinois. As  
22 used in this paragraph, for taxable years ending before  
23 December 31, 2017, the phrase "United States" means  
24 only the 50 states and the District of Columbia, but  
25 does not include any territory or possession of the  
26 United States or any area over which the United States



1 has asserted jurisdiction or claimed exclusive rights  
2 with respect to the exploration for or exploitation of  
3 natural resources. For taxable years ending on or after  
4 December 31, 2017, the phrase "United States", as used  
5 in this paragraph, means only the 50 states, the  
6 District of Columbia, and any area over which the  
7 United States has asserted jurisdiction or claimed  
8 exclusive rights with respect to the exploration for or  
9 exploitation of natural resources, but does not  
10 include any territory or possession of the United  
11 States.

12 (C) Holding companies.

13 (i) For purposes of this subparagraph, a  
14 "holding company" is a corporation (other than a  
15 corporation that is a financial organization under  
16 paragraph (8) of this subsection (a) of Section  
17 1501 because it is a bank holding company under the  
18 provisions of the Bank Holding Company Act of 1956  
19 (12 U.S.C. 1841, et seq.) or because it is owned by  
20 a bank or a bank holding company) that owns a  
21 controlling interest in one or more other  
22 taxpayers ("controlled taxpayers"); that, during  
23 the period that includes the taxable year and the 2  
24 immediately preceding taxable years or, if the  
25 corporation was formed during the current or  
26 immediately preceding taxable year, the taxable

1 years in which the corporation has been in  
2 existence, derived substantially all its gross  
3 income from dividends, interest, rents, royalties,  
4 fees or other charges received from controlled  
5 taxpayers for the provision of services, and gains  
6 on the sale or other disposition of interests in  
7 controlled taxpayers or in property leased or  
8 licensed to controlled taxpayers or used by the  
9 taxpayer in providing services to controlled  
10 taxpayers; and that incurs no substantial expenses  
11 other than expenses (including interest and other  
12 costs of borrowing) incurred in connection with  
13 the acquisition and holding of interests in  
14 controlled taxpayers and in the provision of  
15 services to controlled taxpayers or in the leasing  
16 or licensing of property to controlled taxpayers.

17 (ii) The income of a holding company which is a  
18 member of more than one unitary business group  
19 shall be included in each unitary business group of  
20 which it is a member on a pro rata basis, by  
21 including in each unitary business group that  
22 portion of the base income of the holding company  
23 that bears the same proportion to the total base  
24 income of the holding company as the gross receipts  
25 of the unitary business group bears to the combined  
26 gross receipts of all unitary business groups (in

1 both cases without regard to the holding company)  
2 or on any other reasonable basis, consistently  
3 applied.

4 (iii) A holding company shall apportion its  
5 business income under the subsection of Section  
6 304 used by the other members of its unitary  
7 business group. The apportionment factors of a  
8 holding company which would be a member of more  
9 than one unitary business group shall be included  
10 with the apportionment factors of each unitary  
11 business group of which it is a member on a pro  
12 rata basis using the same method used in clause  
13 (ii).

14 (iv) The provisions of this subparagraph (C)  
15 are intended to clarify existing law.

16 (D) If including the base income and factors of a  
17 holding company in more than one unitary business group  
18 under subparagraph (C) does not fairly reflect the  
19 degree of integration between the holding company and  
20 one or more of the unitary business groups, the  
21 dependence of the holding company and one or more of  
22 the unitary business groups upon each other, or the  
23 contributions between the holding company and one or  
24 more of the unitary business groups, the holding  
25 company may petition the Director, under the  
26 procedures provided under Section 304(f), for

1 permission to include all base income and factors of  
2 the holding company only with members of a unitary  
3 business group apportioning their business income  
4 under one subsection of subsections (a), (b), (c), or  
5 (d) of Section 304. If the petition is granted, the  
6 holding company shall be included in a unitary business  
7 group only with persons apportioning their business  
8 income under the selected subsection of Section 304  
9 until the Director grants a petition of the holding  
10 company either to be included in more than one unitary  
11 business group under subparagraph (C) or to include its  
12 base income and factors only with members of a unitary  
13 business group apportioning their business income  
14 under a different subsection of Section 304.

15 (E) If the unitary business group members'  
16 accounting periods differ, the common parent's  
17 accounting period or, if there is no common parent, the  
18 accounting period of the member that is expected to  
19 have, on a recurring basis, the greatest Illinois  
20 income tax liability must be used to determine whether  
21 to use the apportionment method provided in subsection  
22 (a) or subsection (h) of Section 304. The prohibition  
23 against membership in a unitary business group for  
24 taxpayers ordinarily required to apportion income  
25 under different subsections of Section 304 does not  
26 apply to taxpayers required to apportion income under

1 subsection (a) and subsection (h) of Section 304. The  
2 provisions of this amendatory Act of 1998 apply to tax  
3 years ending on or after December 31, 1998.

4 (28) Subchapter S corporation. The term "Subchapter S  
5 corporation" means a corporation for which there is in  
6 effect an election under Section 1362 of the Internal  
7 Revenue Code, or for which there is a federal election to  
8 opt out of the provisions of the Subchapter S Revision Act  
9 of 1982 and have applied instead the prior federal  
10 Subchapter S rules as in effect on July 1, 1982.

11 (30) Foreign person. The term "foreign person" means  
12 any person who is a nonresident alien individual and any  
13 nonindividual entity, regardless of where created or  
14 organized, whose business activity outside the United  
15 States is 80% or more of the entity's total business  
16 activity.

17 (b) Other definitions.

18 (1) Words denoting number, gender, and so forth, when  
19 used in this Act, where not otherwise distinctly expressed  
20 or manifestly incompatible with the intent thereof:

21 (A) Words importing the singular include and apply  
22 to several persons, parties or things;

23 (B) Words importing the plural include the  
24 singular; and

25 (C) Words importing the masculine gender include

1 the feminine as well.

2 (2) "Company" or "association" as including successors  
3 and assigns. The word "company" or "association", when used  
4 in reference to a corporation, shall be deemed to embrace  
5 the words "successors and assigns of such company or  
6 association", and in like manner as if these last-named  
7 words, or words of similar import, were expressed.

8 (3) Other terms. Any term used in any Section of this  
9 Act with respect to the application of, or in connection  
10 with, the provisions of any other Section of this Act shall  
11 have the same meaning as in such other Section.

12 (Source: P.A. 99-213, eff. 7-31-15; 100-22, eff. 7-6-17.)

13 Section 99. Effective date. This Act takes effect upon  
14 becoming law.