



## 97TH GENERAL ASSEMBLY

### State of Illinois

### 2011 and 2012

### HB5488

Introduced 2/15/2012, by Rep. Michael W. Tryon

#### SYNOPSIS AS INTRODUCED:

See Index

Creates the Pension Stabilization Act. Creates the Pension Stabilization Board and a new Pension Stabilization Fund. Provides for the certification of certain revenues and expenditures in FY2012, and directs certain future gaming and racing revenues and bond savings to be deposited into the Fund. Authorizes the Board to release money from the Fund to the 5 State-funded retirement systems based on their insolvency or unfunded liabilities. Amends the Budget Stabilization Act to repeal provisions relating to the existing (inactive) Pension Stabilization Fund. Amends the Illinois Income Tax Act. Reduces the rate of the tax imposed under the Act upon individuals, trusts, and estates to 4.75% (now, 5%) for taxable years beginning on or after January 1, 2013, and ending prior to January 1, 2015, 3.5% (now, 3.75%) for taxable years beginning on or after January 1, 2015 and ending prior to January 1, 2025, and 3% (now, 3.25%) for taxable years beginning on or after January 1, 2025. Provides that, for taxable years beginning on or after January 1, 2013, the amount of federally taxable retirement and survivor income that may be deducted from income for Illinois income tax purposes does not include retirement or survivor income received by an individual before he or she has attained age 65. Amends the General Obligation Bond Act. Directs the Governor to refund and refinance the outstanding Illinois pension bonds from the bond sale authorized by Public Act 93-2, if he or she determines that the refinancing will produce significant savings. Amends the Illinois Pension Code, the State Pension Funds Continuing Appropriation Act, the Riverboat Gambling Act, the Illinois Horse Racing Act of 1975, and the Video Gaming Act to make corresponding changes. Also makes revisory changes. Effective immediately.

LRB097 20419 HLH 65904 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

1 AN ACT concerning pension stabilization.

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  
5 Pension Stabilization Act.

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

7 "Board" means the Pension Stabilization Board created by  
8 this Act.

9 "Fund" means the Pension Stabilization Fund created by this  
10 Act.

11 "Funding ratio" means the ratio of a retirement system's  
12 total assets to its total actuarial liabilities.

13 "Designated retirement systems" means:

14 (1) the State Employees' Retirement System of  
15 Illinois;

16 2) the Teachers' Retirement System of the State of  
17 Illinois;

18 (3) the State Universities Retirement System;

19 (4) the Judges Retirement System of Illinois; and

20 (5) the General Assembly Retirement System.

21 "Unfunded accrued liability" means the excess of the  
22 accrued liability over the actuarial value of the assets of a  
23 retirement system, as those terms are defined in Section 1A-102

1 of the Illinois Pension Code.

2 Section 10. Findings; purpose.

3 (a) The General Assembly finds and declares that:

4 (1) There is currently an actuarial liability in  
5 State-managed pension funds of some \$80.0 billion.

6 (2) It is the duty of the General Assembly to address  
7 this huge potential burden on the taxpayers of Illinois.

8 (3) Current State pension liability is funded  
9 primarily through the State's general funds, and the  
10 increasing burden of pension-related indebtedness is  
11 impairing the availability of the State's general funds for  
12 other pressing needs of people of this State.

13 (4) Creating a Pension Stabilization Fund will enable  
14 the State to use dedicated revenues to fund a portion of  
15 the State's pension responsibilities and thereby ease  
16 pressure on the State's general funds.

17 (5) Refinancing Illinois pension bonds issued under  
18 Public Act 93-2 could provide the State with considerable  
19 savings that can be dedicated to funding pension  
20 liabilities.

21 (6) Growing opportunities for gaming and horse racing  
22 in Illinois may provide additional revenues to the State  
23 that can be dedicated to funding pension liabilities.

24 (b) It is the purpose of this Act to help stabilize pension  
25 funding in Illinois by setting aside certain revenues and

1 savings of the State in a dedicated Pension Stabilization Fund  
2 and thereby lessen the impact of future pension liabilities on  
3 the State's future general funds.

4 Section 15. Certifications.

5 (a) As soon as possible after June 30, 2012, the State  
6 Comptroller shall determine and certify to the Governor, the  
7 General Assembly, and the Auditor General the amount of revenue  
8 realized by the State of Illinois in State Fiscal Year 2012  
9 from the taxation of licensed enterprises under the Riverboat  
10 Gambling Act.

11 (b) As soon as possible after June 30, 2012, the State  
12 Comptroller shall determine and certify to the Governor, the  
13 General Assembly, and the Auditor General the amount of revenue  
14 realized by the State of Illinois in State Fiscal Year 2012  
15 from the taxation of licensed enterprises under the Illinois  
16 Horse Racing Act of 1975.

17 (c) As soon as possible after the effective date of this  
18 Act, the State Comptroller shall determine and certify to the  
19 Governor, the General Assembly, and the Auditor General the  
20 amount of money required to be earned each fiscal year by the  
21 State of Illinois through the Video Gaming Act to meet the  
22 commitments based on revenues under that Act made on behalf of  
23 the State, as of the effective date of this Act.

24 (d) As soon as possible after June 30, 2012, the State  
25 Comptroller shall determine and certify to the Governor, the

1 General Assembly, and the Auditor General the amount of money  
2 used by the State of Illinois in State Fiscal Year 2012 to  
3 service and retire the outstanding Illinois pension bonds from  
4 the bond sale authorized by Public Act 93-2.

5 (e) As soon as possible after the end of each fiscal year,  
6 beginning with State Fiscal Year 2013, the State Comptroller  
7 shall determine and certify to the Governor, the General  
8 Assembly, and the Auditor General the amounts of money to be  
9 transferred or deposited into the Pension Stabilization Fund  
10 under subsection (b) of Section 20 of this Act.

11 (f) The Governor's Office of Management and Budget, the  
12 Department of Revenue, the Illinois Gaming Board, the Illinois  
13 Racing Board, and all other agencies of State government shall  
14 provide any information or assistance that may be requested by  
15 the Office of the Comptroller to assist in making these  
16 determinations and certifications.

17 (g) The Auditor General shall review the Comptroller's  
18 determinations and certifications under this Section and shall  
19 report on their accuracy to the Comptroller, the Governor, and  
20 the General Assembly.

21 Section 20. Pension Stabilization Fund.

22 (a) The Pension Stabilization Fund is hereby created as a  
23 special fund in the State treasury. Money in the Fund shall be  
24 used for the sole purpose of making payments to the designated  
25 retirement systems as provided in Section 35 of this Act, and

1 not for any other purpose.

2 (b) For State Fiscal Year 2013 and each fiscal year  
3 thereafter, there shall be deposited into the Pension  
4 Stabilization Fund:

5 (1) 50% of the amount by which the revenue realized in  
6 that fiscal year by the State of Illinois from the taxation  
7 of licensed enterprises under the Riverboat Gambling Act  
8 exceeds the amount certified under subsection (a) of  
9 Section 15 of this Act.

10 (2) 50% of the amount by which the revenue realized in  
11 that fiscal year by the State of Illinois from the taxation  
12 of licensed enterprises under the Illinois Horse Racing Act  
13 of 1975 exceeds the amount certified under subsection (b)  
14 of Section 15 of this Act.

15 (3) 50% of the amount by which the revenue realized in  
16 that fiscal year by the State of Illinois from the Video  
17 Gaming Act exceeds the amount certified for that year under  
18 subsection (c) of Section 15 of this Act.

19 (4) 100% of the amount by which the amount certified  
20 under subsection (d) of Section 15 of this Act exceeds the  
21 amount of money needed by the State of Illinois in that  
22 fiscal year to service and retire any outstanding Illinois  
23 pension bonds from the bond sale authorized by Public Act  
24 93-2 and any refunding bonds issued to refinance such  
25 bonds.

26 (c) The deposits provided for in subsection (b) shall be

1 completed as soon as may be practicable after the amounts have  
2 been determined and certified in accordance with subsection (e)  
3 of Section 15, consistent in each case with the availability of  
4 money in the fund from which the money to be deposited is being  
5 transferred and the need to prevent interference with the  
6 payment of State obligations from that fund. If determined to  
7 be necessary or advisable by the State Comptroller, the  
8 deposits required under this Section may be made in a series of  
9 transfers on a monthly, quarterly, or other basis.

10 (1) The amounts to be deposited under item (b) (1) shall  
11 be transferred into the Pension Stabilization Fund from the  
12 State Gaming Fund.

13 (2) The amounts to be deposited under item (b) (2) shall  
14 be transferred into the Pension Stabilization Fund from the  
15 Horse Racing Fund or the General Revenue Fund.

16 (3) The amounts to be deposited under item (b) (3) shall  
17 be transferred into the Pension Stabilization Fund (i)  
18 five-sixths from the Capital Projects Fund, and (ii)  
19 one-sixth from the Local Government Video Gaming  
20 Distributive Fund.

21 (4) The amounts to be deposited under item (b) (4) shall  
22 be transferred into the Pension Stabilization Fund from the  
23 applicable bond repayment fund, or if no such fund is  
24 legally available for this purpose then from the General  
25 Revenue Fund.

1 Section 25. Pension Stabilization Board.

2 (a) There is created a Pension Stabilization Board. The  
3 Board shall consist of 10 members appointed by the Governor, of  
4 whom 5 shall be taxpayers of Illinois and 5 shall be active  
5 members or annuitants of a designated retirement system as  
6 defined in this Act. Initial members of the Board shall be  
7 appointed for staggered terms of no more than 4 years.  
8 Subsequent members shall be appointed for a term of 4 years.  
9 Members shall serve until their successors have been appointed  
10 and have qualified. Vacancies shall be filled for the unexpired  
11 term.

12 (b) Members of the Board shall receive no compensation for  
13 their service, but may be reimbursed for their reasonable  
14 expenses by the Office of the Auditor General out of any money  
15 available for that purpose.

16 (c) The Board shall select one of its members to act as  
17 chair, and may select other members to perform duties as it  
18 finds appropriate.

19 (d) A majority of those appointed to the Board constitutes  
20 a quorum. Except as otherwise specified in this Act, official  
21 action by the Board requires the affirmative vote of a majority  
22 of those appointed to the Board.

23 Section 30. Powers and duties.

24 (a) It is the primary duty of the Board to monitor the  
25 financial condition of the designated retirement systems and to



1 release money from the Pension Stabilization Fund to the  
2 designated retirement systems in accordance with Section 35.  
3 For this purpose the Board shall have access to the valuations,  
4 examinations, and audits of the designated retirement systems,  
5 but not to records identifying or relating to individual  
6 participants, annuitants, or beneficiaries.

7 (b) With the affirmative vote of a majority of those  
8 appointed to the Board and the concurrence of the Auditor  
9 General, the Board may authorize an independent audit of a  
10 designated retirement system if necessary to determine and  
11 verify the system's financial condition. Any such audit shall  
12 be reported to the Governor and the General Assembly.

13 (c) The Board shall receive technical and staff support  
14 from the Office of the Auditor General. The Board may call upon  
15 the Governor's Office of Management and Budget, the Commission  
16 on Governmental Forecasting and Accountability, the Office of  
17 the Comptroller, and any other appropriate State agency for  
18 reasonable assistance relating to the performance of its  
19 duties.

20 (d) The Board shall meet at least annually and at the call  
21 of the chair, and shall report on its findings and activities  
22 to the Governor and the General Assembly at least annually.

23 Section 35. Release of funds.

24 (a) The Board shall release money from the Pension  
25 Stabilization Fund to the designated retirement systems only in

1 accordance with this Section. Money from the Fund may be  
2 released to a designated retirement system only upon the  
3 recorded affirmative vote of at least two-thirds of the members  
4 appointed to the Board, and only in compliance with Schedule A  
5 or Schedule B, whichever applies. Before voting to release any  
6 money from the Fund, the Board shall first make a determination  
7 for the record of whether Schedule A or Schedule B then  
8 applies.

9 In order to release money from the Fund, the Board shall  
10 submit a voucher to the State Comptroller, specifying the  
11 amount to be paid from the Fund and the designated retirement  
12 system payee, and including a certified copy of its record vote  
13 and of its determination of whether Schedule A or Schedule B  
14 applies. Such vouchers shall be paid pursuant to the continuing  
15 appropriation in Section 1.7 of the State Pension Funds  
16 Continuing Appropriation Act directly to the designated  
17 retirement system as payee.

18 (b) Schedule A begins on the effective date of this Act,  
19 and is in effect whenever the balance in the Fund is less than  
20 30% of the combined unfunded accrued liability of the  
21 designated retirement systems. When Schedule A is in effect,  
22 the Board shall release money from the Fund to a designated  
23 retirement system if and only if that system is determined to  
24 be in a state of insolvency, defined as an immediate inability  
25 to meet its lawful obligations. The amount so released shall be  
26 sufficient to meet the retirement system's immediate lawful

1 obligations. If at any time 2 or more designated retirement  
2 systems are insolvent and the amounts available in the Fund are  
3 insufficient to meet all of their immediate obligations, then  
4 the available funds shall be distributed pro rata based on the  
5 immediate needs of the insolvent retirement systems.

6 (c) Schedule B is in effect whenever the balance in the  
7 Fund is at least 30% of the combined unfunded accrued liability  
8 of the designated retirement systems. When Schedule B is in  
9 effect, the Board may, in its discretion, release money from  
10 the Fund to any designated retirement system that has a funding  
11 ratio of less than 70%. The amount so released shall be no more  
12 than the amount needed to bring the funding ratio of the  
13 retirement system up to 100%.

14 (d) When all of the designated retirement systems have  
15 achieved a funding ratio of at least 100%, the Board shall  
16 report this fact to the Governor and the General Assembly,  
17 together with its recommendations as to the best future  
18 policies for the State's pension funding.

19 (30 ILCS 122/20 rep.)

20 (30 ILCS 122/25 rep.)

21 Section 140. The Budget Stabilization Act is amended by  
22 repealing Sections 20 and 25.

23 Section 145. The General Obligation Bond Act is amended by  
24 changing Section 7.2 as follows:

1 (30 ILCS 330/7.2)

2 Sec. 7.2. State pension funding.

3 (a) The amount of \$10,000,000,000 is authorized to be used  
4 for the purpose of making contributions to the designated  
5 retirement systems. For the purposes of this Section,  
6 "designated retirement systems" means the State Employees'  
7 Retirement System of Illinois; the Teachers' Retirement System  
8 of the State of Illinois; the State Universities Retirement  
9 System; the Judges Retirement System of Illinois; and the  
10 General Assembly Retirement System.

11 The amount of \$3,466,000,000 of Bonds authorized by Public  
12 Act 96-43 is authorized to be used for the purpose of making a  
13 portion of the State's Fiscal Year 2010 required contributions  
14 to the designated retirement systems.

15 The amount of \$4,096,348,300 of Bonds authorized by Public  
16 Act 96-1497 ~~this amendatory Act of the 96th General Assembly~~ is  
17 authorized to be used for the purpose of making a portion of  
18 the State's Fiscal Year 2011 required contributions to the  
19 designated retirement systems.

20 (b) The Pension Contribution Fund is created as a special  
21 fund in the State Treasury.

22 The proceeds of the additional \$10,000,000,000 of Bonds  
23 authorized by Public Act 93-2, less the amounts authorized in  
24 the Bond Sale Order to be deposited directly into the  
25 capitalized interest account of the General Obligation Bond

1 Retirement and Interest Fund or otherwise directly paid out for  
2 bond sale expenses under Section 8, shall be deposited into the  
3 Pension Contribution Fund and used as provided in this Section.

4 The proceeds of the additional \$3,466,000,000 of Bonds  
5 authorized by Public Act 96-43, less the amounts directly paid  
6 out for bond sale expenses under Section 8, shall be deposited  
7 into the Pension Contribution Fund, and the Comptroller and the  
8 Treasurer shall, as soon as practical, (i) first, transfer from  
9 the Pension Contribution Fund to the General Revenue Fund or  
10 Common School Fund an amount equal to the amount of payments,  
11 if any, made to the designated retirement systems from the  
12 General Revenue Fund or Common School Fund in State fiscal year  
13 2010 and (ii) second, make transfers from the Pension  
14 Contribution Fund to the designated retirement systems  
15 pursuant to Sections 2-124, 14-131, 15-155, 16-158, and 18-131  
16 of the Illinois Pension Code.

17 The proceeds of the additional \$4,096,348,300 of Bonds  
18 authorized by Public Act 96-1497 ~~this amendatory Act of the~~  
19 ~~96th General Assembly~~, less the amounts directly paid out for  
20 bond sale expenses under Section 8, shall be deposited into the  
21 Pension Contribution Fund, and the Comptroller and the  
22 Treasurer shall, as soon as practical, (i) first, transfer from  
23 the Pension Contribution Fund to the General Revenue Fund or  
24 Common School Fund an amount equal to the amount of payments,  
25 if any, made to the designated retirement systems from the  
26 General Revenue Fund or Common School Fund in State fiscal year

1 2011 and (ii) second, make transfers from the Pension  
2 Contribution Fund to the designated retirement systems  
3 pursuant to Sections 2-124, 14-131, 15-155, 16-158, and 18-131  
4 of the Illinois Pension Code.

5 (c) Of the amount of Bond proceeds from the bond sale  
6 authorized by Public Act 93-2 first deposited into the Pension  
7 Contribution Fund, there shall be reserved for transfers under  
8 this subsection the sum of \$300,000,000, representing the  
9 required State contributions to the designated retirement  
10 systems for the last quarter of State fiscal year 2003, plus  
11 the sum of \$1,860,000,000, representing the required State  
12 contributions to the designated retirement systems for State  
13 fiscal year 2004.

14 Upon the deposit of sufficient moneys from the bond sale  
15 authorized by Public Act 93-2 into the Pension Contribution  
16 Fund, the Comptroller and Treasurer shall immediately transfer  
17 the sum of \$300,000,000 from the Pension Contribution Fund to  
18 the General Revenue Fund.

19 Whenever any payment of required State contributions for  
20 State fiscal year 2004 is made to one of the designated  
21 retirement systems, the Comptroller and Treasurer shall, as  
22 soon as practicable, transfer from the Pension Contribution  
23 Fund to the General Revenue Fund an amount equal to the amount  
24 of that payment to the designated retirement system. Beginning  
25 on the effective date of this amendatory Act of the 93rd  
26 General Assembly, the transfers from the Pension Contribution

1 Fund to the General Revenue Fund shall be suspended until June  
2 30, 2004, and the remaining balance in the Pension Contribution  
3 Fund shall be transferred directly to the designated retirement  
4 systems as provided in Section 6z-61 of the State Finance Act.  
5 On and after July 1, 2004, in the event that any amount is on  
6 deposit in the Pension Contribution Fund from time to time, the  
7 Comptroller and Treasurer shall continue to make such transfers  
8 based on fiscal year 2005 payments until the entire amount on  
9 deposit has been transferred.

10 (d) All amounts deposited into the Pension Contribution  
11 Fund, other than the amounts reserved for the transfers under  
12 subsection (c) from the bond sale authorized by Public Act  
13 93-2, other than amounts deposited into the Pension  
14 Contribution Fund from the bond sale authorized by Public Act  
15 96-43 and other than amounts deposited into the Pension  
16 Contribution Fund from the bond sale authorized by Public Act  
17 96-1497 ~~this amendatory Act of the 96th General Assembly~~, shall  
18 be appropriated to the designated retirement systems to reduce  
19 their actuarial reserve deficiencies. The amount of the  
20 appropriation to each designated retirement system shall  
21 constitute a portion of the total appropriation under this  
22 subsection that is the same as that retirement system's portion  
23 of the total actuarial reserve deficiency of the systems, as  
24 most recently determined by the Governor's Office of Management  
25 and Budget under Section 8.12 of the State Finance Act.

26 With respect to proceeds from the bond sale authorized by

1 Public Act 93-2 only, within 15 days after any Bond proceeds in  
2 excess of the amounts initially reserved under subsection (c)  
3 are deposited into the Pension Contribution Fund, the  
4 Governor's Office of Management and Budget shall (i) allocate  
5 those proceeds among the designated retirement systems in  
6 proportion to their respective actuarial reserve deficiencies,  
7 as most recently determined under Section 8.12 of the State  
8 Finance Act, and (ii) certify those allocations to the  
9 designated retirement systems and the Comptroller.

10 Upon receiving certification of an allocation under this  
11 subsection, a designated retirement system shall submit to the  
12 Comptroller a voucher for the amount of its allocation. The  
13 voucher shall be paid out of the amount appropriated to that  
14 designated retirement system from the Pension Contribution  
15 Fund pursuant to this subsection.

16 (e) The Governor, in consultation with the Comptroller and  
17 the Governor's Office of Management and Budget, shall  
18 investigate and determine whether it would be in the best  
19 interests of the State of Illinois to refund and refinance the  
20 outstanding Bonds from the bond sale authorized by Public Act  
21 93-2. If the Governor determines that refunding and refinancing  
22 those Bonds would produce significant savings for the State, he  
23 shall direct them to be refunded and refinanced at an  
24 appropriate time in accordance with the requirements of this  
25 Act.

26 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11.)



1           Section 150. The Illinois Income Tax Act is amended by  
2 changing Sections 201 and 203 as follows:

3           (35 ILCS 5/201) (from Ch. 120, par. 2-201)

4           (Text of Section before amendment by P.A. 97-636)

5           Sec. 201. Tax Imposed.

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

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

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

20           (2) In the case of an individual, trust or estate, for  
21 taxable years beginning prior to July 1, 1989 and ending  
22 after June 30, 1989, an amount equal to the sum of (i) 2  
23 1/2% of the taxpayer's net income for the period prior to  
24 July 1, 1989, as calculated under Section 202.3, and (ii)

1 3% of the taxpayer's net income for the period after June  
2 30, 1989, as calculated under Section 202.3.

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

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

14 (5) In the case of an individual, trust, or estate, for  
15 taxable years beginning on or after January 1, 2011, and  
16 ending prior to January 1, 2013 ~~January 1, 2015~~, an amount  
17 equal to 5% of the taxpayer's net income for the taxable  
18 year.

19 (5.1) In the case of an individual, trust, or estate,  
20 for taxable years beginning prior to January 1, 2013  
21 ~~January 1, 2015~~, and ending after December 31, 2012  
22 ~~December 31, 2014~~, an amount equal to the sum of (i) 5% of  
23 the taxpayer's net income for the period prior to January  
24 1, 2013 ~~January 1, 2015~~, as calculated under Section 202.5,  
25 and (ii) 4.75% ~~3.75%~~ of the taxpayer's net income for the  
26 period after December 31, 2012 ~~December 31, 2014~~, as

1 calculated under Section 202.5.

2 (5.2) In the case of an individual, trust, or estate,  
3 for taxable years beginning on or after January 1, 2013  
4 ~~January 1, 2015~~, and ending prior to January 1, 2015  
5 ~~January 1, 2025~~, an amount equal to 4.75% ~~3.75%~~ of the  
6 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 January 1, 2015  
9 ~~January 1, 2025~~, and ending after December 31, 2014  
10 ~~December 31, 2024~~, an amount equal to the sum of (i) 4.75%  
11 ~~3.75%~~ of the taxpayer's net income for the period prior to  
12 January 1, 2015 ~~January 1, 2025~~, as calculated under  
13 Section 202.5, and (ii) 3.5% ~~3.25%~~ of the taxpayer's net  
14 income for the period after December 31, 2014 ~~December 31,~~  
15 ~~2024~~, as calculated under Section 202.5.

16 (5.4) In the case of an individual, trust, or estate,  
17 for taxable years beginning on or after January 1, 2015,  
18 and ending prior to January 1, 2025, an amount equal to  
19 3.5% ~~3.25%~~ of the taxpayer's net income for the taxable  
20 year.

21 (5.5) In the case of an individual, trust, or estate,  
22 for taxable years beginning prior to January 1, 2025, and  
23 ending after December 31, 2024, an amount equal to the sum  
24 of (i) 3.5% of the taxpayer's net income for the period  
25 prior to January 1, 2025, as calculated under Section  
26 202.5, and (ii) 3% of the taxpayer's net income for the

1 period after December 31, 2024, as calculated under Section  
2 202.5.

3 (5.6) In the case of an individual, trust, or estate,  
4 for taxable years beginning on or after January 1, 2025, an  
5 amount equal to 3% of the taxpayer's net income for the  
6 taxable year.

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

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

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

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

1 December 31, 2010, as calculated under Section 202.5.

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

6 (11) In the case of a corporation, for taxable years  
7 beginning prior to January 1, 2015, and ending after  
8 December 31, 2014, an amount equal to the sum of (i) 7% of  
9 the taxpayer's net income for the period prior to January  
10 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
11 of the taxpayer's net income for the period after December  
12 31, 2014, as calculated under Section 202.5.

13 (12) In the case of a corporation, for taxable years  
14 beginning on or after January 1, 2015, and ending prior to  
15 January 1, 2025, an amount equal to 5.25% of the taxpayer's  
16 net income for the taxable year.

17 (13) In the case of a corporation, for taxable years  
18 beginning prior to January 1, 2025, and ending after  
19 December 31, 2024, an amount equal to the sum of (i) 5.25%  
20 of the taxpayer's net income for the period prior to  
21 January 1, 2025, as calculated under Section 202.5, and  
22 (ii) 4.8% of the taxpayer's net income for the period after  
23 December 31, 2024, as calculated under Section 202.5.

24 (14) In the case of a corporation, for taxable years  
25 beginning on or after January 1, 2025, an amount equal to  
26 4.8% of the taxpayer's net income for the taxable year.

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

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

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

1 for the taxable year.

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

26 (1) For the purposes of subsection (d-1), in no event

1 shall the sum of the rates of tax imposed by subsections  
2 (b) and (d) be reduced below the rate at which the sum of:

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

6 (B) the privilege tax imposed by Section 409 of the  
7 Illinois Insurance Code, the fire insurance company  
8 tax imposed by Section 12 of the Fire Investigation  
9 Act, and the fire department taxes imposed under  
10 Section 11-10-1 of the Illinois Municipal Code,  
11 equals 1.25% for taxable years ending prior to December 31,  
12 2003, or 1.75% for taxable years ending on or after  
13 December 31, 2003, of the net taxable premiums written for  
14 the taxable year, as described by subsection (1) of Section  
15 409 of the Illinois Insurance Code. This paragraph will in  
16 no event increase the rates imposed under subsections (b)  
17 and (d).

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

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



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

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

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

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

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

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

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

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

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

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

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

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

1 include the generation, transmission, or distribution of  
2 electricity.

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

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

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

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

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

3 (8) Unless the investment credit is extended by law,  
4 the basis of qualified property shall not include costs  
5 incurred after December 31, 2013, except for costs incurred  
6 pursuant to a binding contract entered into on or before  
7 December 31, 2013.

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

24 For taxable years ending on or after December 31, 2000,  
25 a partner that qualifies its partnership for a subtraction  
26 under subparagraph (I) of paragraph (2) of subsection (d)

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

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

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

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

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

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

24 (B) is depreciable pursuant to Section 167 of the  
25 Internal Revenue Code, except that "3-year property"  
26 as defined in Section 168(c)(2)(A) of that Code is not



1 eligible for the credit provided by this subsection  
2 (f);

3 (C) is acquired by purchase as defined in Section  
4 179(d) of the Internal Revenue Code;

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

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

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

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

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

22 (6) If during any taxable year, any property ceases to  
23 be qualified property in the hands of the taxpayer within  
24 48 months after being placed in service, or the situs of  
25 any qualified property is moved outside the Enterprise Zone  
26 or River Edge Redevelopment Zone within 48 months after

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

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

1 the additional credit shall be limited to that percentage  
2 times a fraction, the numerator of which is 0.5% and the  
3 denominator of which is 1%, but shall not exceed 0.5%.

4 (g) Jobs Tax Credit; Enterprise Zone, River Edge  
5 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

6 (1) A taxpayer conducting a trade or business in an  
7 enterprise zone or a High Impact Business designated by the  
8 Department of Commerce and Economic Opportunity or for  
9 taxable years ending on or after December 31, 2006, in a  
10 River Edge Redevelopment Zone conducting a trade or  
11 business in a federally designated Foreign Trade Zone or  
12 Sub-Zone shall be allowed a credit against the tax imposed  
13 by subsections (a) and (b) of this Section in the amount of  
14 \$500 per eligible employee hired to work in the zone during  
15 the taxable year.

16 (2) To qualify for the credit:

17 (A) the taxpayer must hire 5 or more eligible  
18 employees to work in an enterprise zone, River Edge  
19 Redevelopment Zone, or federally designated Foreign  
20 Trade Zone or Sub-Zone during the taxable year;

21 (B) the taxpayer's total employment within the  
22 enterprise zone, River Edge Redevelopment Zone, or  
23 federally designated Foreign Trade Zone or Sub-Zone  
24 must increase by 5 or more full-time employees beyond  
25 the total employed in that zone at the end of the  
26 previous tax year for which a jobs tax credit under

1 this Section was taken, or beyond the total employed by  
2 the taxpayer as of December 31, 1985, whichever is  
3 later; and

4 (C) the eligible employees must be employed 180  
5 consecutive days in order to be deemed hired for  
6 purposes of this subsection.

7 (3) An "eligible employee" means an employee who is:

8 (A) Certified by the Department of Commerce and  
9 Economic Opportunity as "eligible for services"  
10 pursuant to regulations promulgated in accordance with  
11 Title II of the Job Training Partnership Act, Training  
12 Services for the Disadvantaged or Title III of the Job  
13 Training Partnership Act, Employment and Training  
14 Assistance for Dislocated Workers Program.

15 (B) Hired after the enterprise zone, River Edge  
16 Redevelopment Zone, or federally designated Foreign  
17 Trade Zone or Sub-Zone was designated or the trade or  
18 business was located in that zone, whichever is later.

19 (C) Employed in the enterprise zone, River Edge  
20 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.  
21 An employee is employed in an enterprise zone or  
22 federally designated Foreign Trade Zone or Sub-Zone if  
23 his services are rendered there or it is the base of  
24 operations for the services performed.

25 (D) A full-time employee working 30 or more hours  
26 per week.

1           (4) For tax years ending on or after December 31, 1985  
2           and prior to December 31, 1988, the credit shall be allowed  
3           for the tax year in which the eligible employees are hired.  
4           For tax years ending on or after December 31, 1988, the  
5           credit shall be allowed for the tax year immediately  
6           following the tax year in which the eligible employees are  
7           hired. If the amount of the credit exceeds the tax  
8           liability for that year, whether it exceeds the original  
9           liability or the liability as later amended, such excess  
10          may be carried forward and applied to the tax liability of  
11          the 5 taxable years following the excess credit year. The  
12          credit shall be applied to the earliest year for which  
13          there is a liability. If there is credit from more than one  
14          tax year that is available to offset a liability, earlier  
15          credit shall be applied first.

16          (5) The Department of Revenue shall promulgate such  
17          rules and regulations as may be deemed necessary to carry  
18          out the purposes of this subsection (g).

19          (6) The credit shall be available for eligible  
20          employees hired on or after January 1, 1986.

21          (h) Investment credit; High Impact Business.

22          (1) Subject to subsections (b) and (b-5) of Section 5.5  
23          of the Illinois Enterprise Zone Act, a taxpayer shall be  
24          allowed a credit against the tax imposed by subsections (a)  
25          and (b) of this Section for investment in qualified  
26          property which is placed in service by a Department of

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

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

9 Changes made in this subdivision (h)(1) by Public Act  
10 88-670 restore changes made by Public Act 85-1182 and  
11 reflect existing law.

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

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

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

20 (C) is acquired by purchase as defined in Section  
21 179(d) of the Internal Revenue Code; and

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

25 (3) The basis of qualified property shall be the basis  
26 used to compute the depreciation deduction for federal

1 income tax purposes.

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

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

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



1 reduction.

2 (7) Beginning with tax years ending after December 31,  
3 1996, if a taxpayer qualifies for the credit under this  
4 subsection (h) and thereby is granted a tax abatement and  
5 the taxpayer relocates its entire facility in violation of  
6 the explicit terms and length of the contract under Section  
7 18-183 of the Property Tax Code, the tax imposed under  
8 subsections (a) and (b) of this Section shall be increased  
9 for the taxable year in which the taxpayer relocated its  
10 facility by an amount equal to the amount of credit  
11 received by the taxpayer under this subsection (h).

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

10 If, during any taxable year ending on or after December 31,  
11 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 taxable  
19 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 outside  
26 of Illinois by a taxpayer, for educational or vocational

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

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

23 (k) Research and development credit.

24 For tax years ending after July 1, 1990 and prior to  
25 December 31, 2003, and beginning again for tax years ending on  
26 or after December 31, 2004, and ending prior to January 1,

1 2011, a taxpayer shall be allowed a credit against the tax  
2 imposed by subsections (a) and (b) of this Section for  
3 increasing research activities in this State. The credit  
4 allowed against the tax imposed by subsections (a) and (b)  
5 shall be equal to 6 1/2% of the qualifying expenditures for  
6 increasing research activities in this State. For partners,  
7 shareholders of subchapter S corporations, and owners of  
8 limited liability companies, if the liability company is  
9 treated as a partnership for purposes of federal and State  
10 income taxation, there shall be allowed a credit under this  
11 subsection to be determined in accordance with the  
12 determination of income and distributive share of income under  
13 Sections 702 and 704 and subchapter S of the Internal Revenue  
14 Code.

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

1 made.

2 Any credit in excess of the tax liability for the taxable  
3 year may be carried forward. A taxpayer may elect to have the  
4 unused credit shown on its final completed return carried over  
5 as a credit against the tax liability for the following 5  
6 taxable years or until it has been fully used, whichever occurs  
7 first; provided that no credit earned in a tax year ending  
8 prior to December 31, 2003 may be carried forward to any year  
9 ending on or after December 31, 2003, and no credit may be  
10 carried forward to any taxable year ending on or after January  
11 1, 2011.

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

24 No inference shall be drawn from this amendatory Act of the  
25 91st General Assembly in construing this Section for taxable  
26 years beginning before January 1, 1999.

1 (1) Environmental Remediation Tax Credit.

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

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

23 (ii) A credit allowed under this subsection that is  
24 unused in the year the credit is earned may be carried  
25 forward to each of the 5 taxable years following the year  
26 for which the credit is first earned until it is used. The

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

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

25 (m) Education expense credit. Beginning with tax years  
26 ending after December 31, 1999, a taxpayer who is the custodian



1 of one or more qualifying pupils shall be allowed a credit  
2 against the tax imposed by subsections (a) and (b) of this  
3 Section for qualified education expenses incurred on behalf of  
4 the qualifying pupils. The credit shall be equal to 25% of  
5 qualified education expenses, but in no event may the total  
6 credit under this subsection claimed by a family that is the  
7 custodian of qualifying pupils exceed \$500. In no event shall a  
8 credit under this subsection reduce the taxpayer's liability  
9 under this Act to less than zero. This subsection is exempt  
10 from the provisions of Section 250 of this Act.

11 For purposes of this subsection:

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

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

23 "School" means any public or nonpublic elementary or  
24 secondary school in Illinois that is in compliance with Title  
25 VI of the Civil Rights Act of 1964 and attendance at which  
26 satisfies the requirements of Section 26-1 of the School Code,

1     except that nothing shall be construed to require a child to  
2     attend any particular public or nonpublic school to qualify for  
3     the credit under this Section.

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

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

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

1 the site that was identified and addressed by the remedial  
2 action pursuant to the Site Remediation Program of the  
3 Environmental Protection Act. Determinations as to credit  
4 availability for purposes of this Section shall be made  
5 consistent with rules adopted by the Pollution Control  
6 Board pursuant to the Illinois Administrative Procedure  
7 Act for the administration and enforcement of Section 58.9  
8 of the Environmental Protection Act. For purposes of this  
9 Section, "taxpayer" includes a person whose tax attributes  
10 the taxpayer has succeeded to under Section 381 of the  
11 Internal Revenue Code and "related party" includes the  
12 persons disallowed a deduction for losses by paragraphs  
13 (b), (c), and (f) (1) of Section 267 of the Internal Revenue  
14 Code by virtue of being a related taxpayer, as well as any  
15 of its partners. The credit allowed against the tax imposed  
16 by subsections (a) and (b) shall be equal to 25% of the  
17 unreimbursed eligible remediation costs in excess of  
18 \$100,000 per site.

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

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

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

18 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;  
19 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.  
20 1-13-11; 97-2, eff. 5-6-11.)

21 (Text of Section after amendment by P.A. 97-636)

22 Sec. 201. Tax Imposed.

23 (a) In general. A tax measured by net income is hereby  
24 imposed on every individual, corporation, trust and estate for  
25 each taxable year ending after July 31, 1969 on the privilege

1 of earning or receiving income in or as a resident of this  
2 State. Such tax shall be in addition to all other occupation or  
3 privilege taxes imposed by this State or by any municipal  
4 corporation or political subdivision thereof.

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

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

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

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

23 (4) In the case of an individual, trust, or estate, for  
24 taxable years beginning prior to January 1, 2011, and  
25 ending after December 31, 2010, an amount equal to the sum  
26 of (i) 3% of the taxpayer's net income for the period prior

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

4 (5) In the case of an individual, trust, or estate, for  
5 taxable years beginning on or after January 1, 2011, and  
6 ending prior to January 1, 2013 ~~January 1, 2015~~, an amount  
7 equal to 5% of the taxpayer's net income for the taxable  
8 year.

9 (5.1) In the case of an individual, trust, or estate,  
10 for taxable years beginning prior to January 1, 2013  
11 ~~January 1, 2015~~, and ending after December 31, 2012  
12 ~~December 31, 2014~~, an amount equal to the sum of (i) 5% of  
13 the taxpayer's net income for the period prior to January  
14 1, 2013 ~~January 1, 2015~~, as calculated under Section 202.5,  
15 and (ii) 4.75% ~~3.75%~~ of the taxpayer's net income for the  
16 period after December 31, 2012 ~~December 31, 2014~~, as  
17 calculated under Section 202.5.

18 (5.2) In the case of an individual, trust, or estate,  
19 for taxable years beginning on or after January 1, 2013  
20 ~~January 1, 2015~~, and ending prior to January 1, 2015  
21 ~~January 1, 2025~~, an amount equal to 4.75% ~~3.75%~~ of the  
22 taxpayer's net income for the taxable year.

23 (5.3) In the case of an individual, trust, or estate,  
24 for taxable years beginning prior to January 1, 2015  
25 ~~January 1, 2025~~, and ending after December 31, 2014  
26 ~~December 31, 2024~~, an amount equal to the sum of (i) 4.75%

1 ~~3.75%~~ of the taxpayer's net income for the period prior to  
2 January 1, 2015 ~~January 1, 2025~~, as calculated under  
3 Section 202.5, and (ii) 3.5% ~~3.25%~~ of the taxpayer's net  
4 income for the period after December 31, 2014 ~~December 31,~~  
5 ~~2024~~, as calculated under Section 202.5.

6 (5.4) In the case of an individual, trust, or estate,  
7 for taxable years beginning on or after January 1, 2015,  
8 and ending prior to January 1, 2025, an amount equal to  
9 3.5% ~~3.25%~~ of the taxpayer's net income for the taxable  
10 year.

11 (5.5) In the case of an individual, trust, or estate,  
12 for taxable years beginning prior to January 1, 2025, and  
13 ending after December 31, 2024, an amount equal to the sum  
14 of (i) 3.5% of the taxpayer's net income for the period  
15 prior to January 1, 2025, as calculated under Section  
16 202.5, and (ii) 3% of the taxpayer's net income for the  
17 period after December 31, 2024, as calculated under Section  
18 202.5.

19 (5.6) In the case of an individual, trust, or estate,  
20 for taxable years beginning on or after January 1, 2025, an  
21 amount equal to 3% of the taxpayer's net income for the  
22 taxable year.

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

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

1 beginning prior to July 1, 1989 and ending after June 30,  
2 1989, an amount equal to the sum of (i) 4% of the  
3 taxpayer's net income for the period prior to July 1, 1989,  
4 as calculated under Section 202.3, and (ii) 4.8% of the  
5 taxpayer's net income for the period after June 30, 1989,  
6 as calculated under Section 202.3.

7 (8) In the case of a corporation, for taxable years  
8 beginning after June 30, 1989, and ending prior to January  
9 1, 2011, an amount equal to 4.8% of the taxpayer's net  
10 income for the taxable year.

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

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

22 (11) In the case of a corporation, for taxable years  
23 beginning prior to January 1, 2015, and ending after  
24 December 31, 2014, an amount equal to the sum of (i) 7% of  
25 the taxpayer's net income for the period prior to January  
26 1, 2015, as calculated under Section 202.5, and (ii) 5.25%



1 of the taxpayer's net income for the period after December  
2 31, 2014, as calculated under Section 202.5.

3 (12) In the case of a corporation, for taxable years  
4 beginning on or after January 1, 2015, and ending prior to  
5 January 1, 2025, an amount equal to 5.25% of the taxpayer's  
6 net income for the taxable year.

7 (13) In the case of a corporation, for taxable years  
8 beginning prior to January 1, 2025, and ending after  
9 December 31, 2024, an amount equal to the sum of (i) 5.25%  
10 of the taxpayer's net income for the period prior to  
11 January 1, 2025, as calculated under Section 202.5, and  
12 (ii) 4.8% of the taxpayer's net income for the period after  
13 December 31, 2024, as calculated under Section 202.5.

14 (14) In the case of a corporation, for taxable years  
15 beginning on or after January 1, 2025, an amount equal to  
16 4.8% of the taxpayer's net income for the taxable year.

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

19 (c) Personal Property Tax Replacement Income Tax.  
20 Beginning on July 1, 1979 and thereafter, in addition to such  
21 income tax, there is also hereby imposed the Personal Property  
22 Tax Replacement Income Tax measured by net income on every  
23 corporation (including Subchapter S corporations), partnership  
24 and trust, for each taxable year ending after June 30, 1979.  
25 Such taxes are imposed on the privilege of earning or receiving  
26 income in or as a resident of this State. The Personal Property

1 Tax Replacement Income Tax shall be in addition to the income  
2 tax imposed by subsections (a) and (b) of this Section and in  
3 addition to all other occupation or privilege taxes imposed by  
4 this State or by any municipal corporation or political  
5 subdivision thereof.

6 (d) Additional Personal Property Tax Replacement Income  
7 Tax Rates. The personal property tax replacement income tax  
8 imposed by this subsection and subsection (c) of this Section  
9 in the case of a corporation, other than a Subchapter S  
10 corporation and except as adjusted by subsection (d-1), shall  
11 be an additional amount equal to 2.85% of such taxpayer's net  
12 income for the taxable year, except that beginning on January  
13 1, 1981, and thereafter, the rate of 2.85% specified in this  
14 subsection shall be reduced to 2.5%, and in the case of a  
15 partnership, trust or a Subchapter S corporation shall be an  
16 additional amount equal to 1.5% of such taxpayer's net income  
17 for the taxable year.

18 (d-1) Rate reduction for certain foreign insurers. In the  
19 case of a foreign insurer, as defined by Section 35A-5 of the  
20 Illinois Insurance Code, whose state or country of domicile  
21 imposes on insurers domiciled in Illinois a retaliatory tax  
22 (excluding any insurer whose premiums from reinsurance assumed  
23 are 50% or more of its total insurance premiums as determined  
24 under paragraph (2) of subsection (b) of Section 304, except  
25 that for purposes of this determination premiums from  
26 reinsurance do not include premiums from inter-affiliate

1 reinsurance arrangements), beginning with taxable years ending  
2 on or after December 31, 1999, the sum of the rates of tax  
3 imposed by subsections (b) and (d) shall be reduced (but not  
4 increased) to the rate at which the total amount of tax imposed  
5 under this Act, net of all credits allowed under this Act,  
6 shall equal (i) the total amount of tax that would be imposed  
7 on the foreign insurer's net income allocable to Illinois for  
8 the taxable year by such foreign insurer's state or country of  
9 domicile if that net income were subject to all income taxes  
10 and taxes measured by net income imposed by such foreign  
11 insurer's state or country of domicile, net of all credits  
12 allowed or (ii) a rate of zero if no such tax is imposed on such  
13 income by the foreign insurer's state of domicile. For the  
14 purposes of this subsection (d-1), an inter-affiliate includes  
15 a mutual insurer under common management.

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

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

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

1 equals 1.25% for taxable years ending prior to December 31,  
2 2003, or 1.75% for taxable years ending on or after  
3 December 31, 2003, of the net taxable premiums written for  
4 the taxable year, as described by subsection (1) of Section  
5 409 of the Illinois Insurance Code. This paragraph will in  
6 no event increase the rates imposed under subsections (b)  
7 and (d).

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

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

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

20 (1) A taxpayer shall be allowed a credit equal to .5%  
21 of the basis of qualified property placed in service during  
22 the taxable year, provided such property is placed in  
23 service on or after July 1, 1984. There shall be allowed an  
24 additional credit equal to .5% of the basis of qualified  
25 property placed in service during the taxable year,  
26 provided such property is placed in service on or after

1 July 1, 1986, and the taxpayer's base employment within  
2 Illinois has increased by 1% or more over the preceding  
3 year as determined by the taxpayer's employment records  
4 filed with the Illinois Department of Employment Security.  
5 Taxpayers who are new to Illinois shall be deemed to have  
6 met the 1% growth in base employment for the first year in  
7 which they file employment records with the Illinois  
8 Department of Employment Security. The provisions added to  
9 this Section by Public Act 85-1200 (and restored by Public  
10 Act 87-895) shall be construed as declaratory of existing  
11 law and not as a new enactment. If, in any year, the  
12 increase in base employment within Illinois over the  
13 preceding year is less than 1%, the additional credit shall  
14 be limited to that percentage times a fraction, the  
15 numerator of which is .5% and the denominator of which is  
16 1%, but shall not exceed .5%. The investment credit shall  
17 not be allowed to the extent that it would reduce a  
18 taxpayer's liability in any tax year below zero, nor may  
19 any credit for qualified property be allowed for any year  
20 other than the year in which the property was placed in  
21 service in Illinois. For tax years ending on or after  
22 December 31, 1987, and on or before December 31, 1988, the  
23 credit shall be allowed for the tax year in which the  
24 property is placed in service, or, if the amount of the  
25 credit exceeds the tax liability for that year, whether it  
26 exceeds the original liability or the liability as later

1 amended, such excess may be carried forward and applied to  
2 the tax liability of the 5 taxable years following the  
3 excess credit years if the taxpayer (i) makes investments  
4 which cause the creation of a minimum of 2,000 full-time  
5 equivalent jobs in Illinois, (ii) is located in an  
6 enterprise zone established pursuant to the Illinois  
7 Enterprise Zone Act and (iii) is certified by the  
8 Department of Commerce and Community Affairs (now  
9 Department of Commerce and Economic Opportunity) as  
10 complying with the requirements specified in clause (i) and  
11 (ii) by July 1, 1986. The Department of Commerce and  
12 Community Affairs (now Department of Commerce and Economic  
13 Opportunity) shall notify the Department of Revenue of all  
14 such certifications immediately. For tax years ending  
15 after December 31, 1988, the credit shall be allowed for  
16 the tax year in which the property is placed in service,  
17 or, if the amount of the credit exceeds the tax liability  
18 for that year, whether it exceeds the original liability or  
19 the liability as later amended, such excess may be carried  
20 forward and applied to the tax liability of the 5 taxable  
21 years following the excess credit years. The credit shall  
22 be applied to the earliest year for which there is a  
23 liability. If there is credit from more than one tax year  
24 that is available to offset a liability, earlier credit  
25 shall be applied first.

26 (2) The term "qualified property" means property



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

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

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



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

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

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

24           (9) Each taxable year ending before December 31, 2000,  
25 a partnership may elect to pass through to its partners the  
26 credits to which the partnership is entitled under this

1 subsection (e) for the taxable year. A partner may use the  
2 credit allocated to him or her under this paragraph only  
3 against the tax imposed in subsections (c) and (d) of this  
4 Section. If the partnership makes that election, those  
5 credits shall be allocated among the partners in the  
6 partnership in accordance with the rules set forth in  
7 Section 704(b) of the Internal Revenue Code, and the rules  
8 promulgated under that Section, and the allocated amount of  
9 the credits shall be allowed to the partners for that  
10 taxable year. The partnership shall make this election on  
11 its Personal Property Tax Replacement Income Tax return for  
12 that taxable year. The election to pass through the credits  
13 shall be irrevocable.

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

1 of Section 250.

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

4 (1) A taxpayer shall be allowed a credit against the  
5 tax imposed by subsections (a) and (b) of this Section for  
6 investment in qualified property which is placed in service  
7 in an Enterprise Zone created pursuant to the Illinois  
8 Enterprise Zone Act or, for property placed in service on  
9 or after July 1, 2006, a River Edge Redevelopment Zone  
10 established pursuant to the River Edge Redevelopment Zone  
11 Act. For partners, shareholders of Subchapter S  
12 corporations, and owners of limited liability companies,  
13 if the liability company is treated as a partnership for  
14 purposes of federal and State income taxation, there shall  
15 be allowed a credit under this subsection (f) to be  
16 determined in accordance with the determination of income  
17 and distributive share of income under Sections 702 and 704  
18 and Subchapter S of the Internal Revenue Code. The credit  
19 shall be .5% of the basis for such property. The credit  
20 shall be available only in the taxable year in which the  
21 property is placed in service in the Enterprise Zone or  
22 River Edge Redevelopment Zone and shall not be allowed to  
23 the extent that it would reduce a taxpayer's liability for  
24 the tax imposed by subsections (a) and (b) of this Section  
25 to below zero. For tax years ending on or after December  
26 31, 1985, the credit shall be allowed for the tax year in

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

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

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

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

19                   (C) is acquired by purchase as defined in Section  
20                   179(d) of the Internal Revenue Code;

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

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

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

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

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

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

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

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

20 (g) Jobs Tax Credit; Enterprise Zone, River Edge  
21 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

22 (1) A taxpayer conducting a trade or business in an  
23 enterprise zone or a High Impact Business designated by the  
24 Department of Commerce and Economic Opportunity or for  
25 taxable years ending on or after December 31, 2006, in a  
26 River Edge Redevelopment Zone conducting a trade or

1 business in a federally designated Foreign Trade Zone or  
2 Sub-Zone shall be allowed a credit against the tax imposed  
3 by subsections (a) and (b) of this Section in the amount of  
4 \$500 per eligible employee hired to work in the zone during  
5 the taxable year.

6 (2) To qualify for the credit:

7 (A) the taxpayer must hire 5 or more eligible  
8 employees to work in an enterprise zone, River Edge  
9 Redevelopment Zone, or federally designated Foreign  
10 Trade Zone or Sub-Zone during the taxable year;

11 (B) the taxpayer's total employment within the  
12 enterprise zone, River Edge Redevelopment Zone, or  
13 federally designated Foreign Trade Zone or Sub-Zone  
14 must increase by 5 or more full-time employees beyond  
15 the total employed in that zone at the end of the  
16 previous tax year for which a jobs tax credit under  
17 this Section was taken, or beyond the total employed by  
18 the taxpayer as of December 31, 1985, whichever is  
19 later; and

20 (C) the eligible employees must be employed 180  
21 consecutive days in order to be deemed hired for  
22 purposes of this subsection.

23 (3) An "eligible employee" means an employee who is:

24 (A) Certified by the Department of Commerce and  
25 Economic Opportunity as "eligible for services"  
26 pursuant to regulations promulgated in accordance with

1 Title II of the Job Training Partnership Act, Training  
2 Services for the Disadvantaged or Title III of the Job  
3 Training Partnership Act, Employment and Training  
4 Assistance for Dislocated Workers Program.

5 (B) Hired after the enterprise zone, River Edge  
6 Redevelopment Zone, or federally designated Foreign  
7 Trade Zone or Sub-Zone was designated or the trade or  
8 business was located in that zone, whichever is later.

9 (C) Employed in the enterprise zone, River Edge  
10 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.  
11 An employee is employed in an enterprise zone or  
12 federally designated Foreign Trade Zone or Sub-Zone if  
13 his services are rendered there or it is the base of  
14 operations for the services performed.

15 (D) A full-time employee working 30 or more hours  
16 per week.

17 (4) For tax years ending on or after December 31, 1985  
18 and prior to December 31, 1988, the credit shall be allowed  
19 for the tax year in which the eligible employees are hired.  
20 For tax years ending on or after December 31, 1988, the  
21 credit shall be allowed for the tax year immediately  
22 following the tax year in which the eligible employees are  
23 hired. If the amount of the credit exceeds the tax  
24 liability for that year, whether it exceeds the original  
25 liability or the liability as later amended, such excess  
26 may be carried forward and applied to the tax liability of



1 the 5 taxable years following the excess credit year. The  
2 credit shall be applied to the earliest year for which  
3 there is a liability. If there is credit from more than one  
4 tax year that is available to offset a liability, earlier  
5 credit shall be applied first.

6 (5) The Department of Revenue shall promulgate such  
7 rules and regulations as may be deemed necessary to carry  
8 out the purposes of this subsection (g).

9 (6) The credit shall be available for eligible  
10 employees hired on or after January 1, 1986.

11 (h) Investment credit; High Impact Business.

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

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

25 Changes made in this subdivision (h) (1) by Public Act  
26 88-670 restore changes made by Public Act 85-1182 and

1 reflect existing law.

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

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

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 (h);

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

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

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

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

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

26 (6) If during any taxable year ending on or before

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

18 (7) Beginning with tax years ending after December 31,  
19 1996, if a taxpayer qualifies for the credit under this  
20 subsection (h) and thereby is granted a tax abatement and  
21 the taxpayer relocates its entire facility in violation of  
22 the explicit terms and length of the contract under Section  
23 18-183 of the Property Tax Code, the tax imposed under  
24 subsections (a) and (b) of this Section shall be increased  
25 for the taxable year in which the taxpayer relocated its  
26 facility by an amount equal to the amount of credit

1 received by the taxpayer under this subsection (h).

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

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

26 If, during any taxable year ending on or after December 31,

1 1986, the tax imposed by subsections (c) and (d) of this  
2 Section for which a taxpayer has claimed a credit under this  
3 subsection (i) is reduced, the amount of credit for such tax  
4 shall also be reduced. Such reduction shall be determined by  
5 recomputing the credit to take into account the reduced tax  
6 imposed by subsections (c) and (d). If any portion of the  
7 reduced amount of credit has been carried to a different  
8 taxable year, an amended return shall be filed for such taxable  
9 year to reduce the amount of credit claimed.

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

1 income under Sections 702 and 704 and subchapter S of the  
2 Internal Revenue Code.

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

13 (k) Research and development credit.

14 For tax years ending after July 1, 1990 and prior to  
15 December 31, 2003, and beginning again for tax years ending on  
16 or after December 31, 2004, and ending prior to January 1,  
17 2016, a taxpayer shall be allowed a credit against the tax  
18 imposed by subsections (a) and (b) of this Section for  
19 increasing research activities in this State. The credit  
20 allowed against the tax imposed by subsections (a) and (b)  
21 shall be equal to 6 1/2% of the qualifying expenditures for  
22 increasing research activities in this State. For partners,  
23 shareholders of subchapter S corporations, and owners of  
24 limited liability companies, if the liability company is  
25 treated as a partnership for purposes of federal and State  
26 income taxation, there shall be allowed a credit under this

1 subsection to be determined in accordance with the  
2 determination of income and distributive share of income under  
3 Sections 702 and 704 and subchapter S of the Internal Revenue  
4 Code.

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

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

26 If an unused credit is carried forward to a given year from



1 2 or more earlier years, that credit arising in the earliest  
2 year will be applied first against the tax liability for the  
3 given year. If a tax liability for the given year still  
4 remains, the credit from the next earliest year will then be  
5 applied, and so on, until all credits have been used or no tax  
6 liability for the given year remains. Any remaining unused  
7 credit or credits then will be carried forward to the next  
8 following year in which a tax liability is incurred, except  
9 that no credit can be carried forward to a year which is more  
10 than 5 years after the year in which the expense for which the  
11 credit is given was incurred.

12 No inference shall be drawn from this amendatory Act of the  
13 91st General Assembly in construing this Section for taxable  
14 years beginning before January 1, 1999.

15 (1) Environmental Remediation Tax Credit.

16 (i) For tax years ending after December 31, 1997 and on  
17 or before December 31, 2001, a taxpayer shall be allowed a  
18 credit against the tax imposed by subsections (a) and (b)  
19 of this Section for certain amounts paid for unreimbursed  
20 eligible remediation costs, as specified in this  
21 subsection. For purposes of this Section, "unreimbursed  
22 eligible remediation costs" means costs approved by the  
23 Illinois Environmental Protection Agency ("Agency") under  
24 Section 58.14 of the Environmental Protection Act that were  
25 paid in performing environmental remediation at a site for  
26 which a No Further Remediation Letter was issued by the

1 Agency and recorded under Section 58.10 of the  
2 Environmental Protection Act. The credit must be claimed  
3 for the taxable year in which Agency approval of the  
4 eligible remediation costs is granted. The credit is not  
5 available to any taxpayer if the taxpayer or any related  
6 party caused or contributed to, in any material respect, a  
7 release of regulated substances on, in, or under the site  
8 that was identified and addressed by the remedial action  
9 pursuant to the Site Remediation Program of the  
10 Environmental Protection Act. After the Pollution Control  
11 Board rules are adopted pursuant to the Illinois  
12 Administrative Procedure Act for the administration and  
13 enforcement of Section 58.9 of the Environmental  
14 Protection Act, determinations as to credit availability  
15 for purposes of this Section shall be made consistent with  
16 those rules. For purposes of this Section, "taxpayer"  
17 includes a person whose tax attributes the taxpayer has  
18 succeeded to under Section 381 of the Internal Revenue Code  
19 and "related party" includes the persons disallowed a  
20 deduction for losses by paragraphs (b), (c), and (f)(1) of  
21 Section 267 of the Internal Revenue Code by virtue of being  
22 a related taxpayer, as well as any of its partners. The  
23 credit allowed against the tax imposed by subsections (a)  
24 and (b) shall be equal to 25% of the unreimbursed eligible  
25 remediation costs in excess of \$100,000 per site, except  
26 that the \$100,000 threshold shall not apply to any site

1 contained in an enterprise zone as determined by the  
2 Department of Commerce and Community Affairs (now  
3 Department of Commerce and Economic Opportunity). The  
4 total credit allowed shall not exceed \$40,000 per year with  
5 a maximum total of \$150,000 per site. For partners and  
6 shareholders of subchapter S corporations, there shall be  
7 allowed a credit under this subsection to be determined in  
8 accordance with the determination of income and  
9 distributive share of income under Sections 702 and 704 and  
10 subchapter S of the Internal Revenue Code.

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

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

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

13 (m) Education expense credit. Beginning with tax years  
14 ending after December 31, 1999, a taxpayer who is the custodian  
15 of one or more qualifying pupils shall be allowed a credit  
16 against the tax imposed by subsections (a) and (b) of this  
17 Section for qualified education expenses incurred on behalf of  
18 the qualifying pupils. The credit shall be equal to 25% of  
19 qualified education expenses, but in no event may the total  
20 credit under this subsection claimed by a family that is the  
21 custodian of qualifying pupils exceed \$500. In no event shall a  
22 credit under this subsection reduce the taxpayer's liability  
23 under this Act to less than zero. This subsection is exempt  
24 from the provisions of Section 250 of this Act.

25 For purposes of this subsection:

26 "Qualifying pupils" means individuals who (i) are

1 residents of the State of Illinois, (ii) are under the age of  
2 21 at the close of the school year for which a credit is  
3 sought, and (iii) during the school year for which a credit is  
4 sought were full-time pupils enrolled in a kindergarten through  
5 twelfth grade education program at any school, as defined in  
6 this subsection.

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

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

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

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

23 (i) For tax years ending on or after December 31, 2006,  
24 a taxpayer shall be allowed a credit against the tax  
25 imposed by subsections (a) and (b) of this Section for  
26 certain amounts paid for unreimbursed eligible remediation

1 costs, as specified in this subsection. For purposes of  
2 this Section, "unreimbursed eligible remediation costs"  
3 means costs approved by the Illinois Environmental  
4 Protection Agency ("Agency") under Section 58.14a of the  
5 Environmental Protection Act that were paid in performing  
6 environmental remediation at a site within a River Edge  
7 Redevelopment Zone for which a No Further Remediation  
8 Letter was issued by the Agency and recorded under Section  
9 58.10 of the Environmental Protection Act. The credit must  
10 be claimed for the taxable year in which Agency approval of  
11 the eligible remediation costs is granted. The credit is  
12 not available to any taxpayer if the taxpayer or any  
13 related party caused or contributed to, in any material  
14 respect, a release of regulated substances on, in, or under  
15 the site that was identified and addressed by the remedial  
16 action pursuant to the Site Remediation Program of the  
17 Environmental Protection Act. Determinations as to credit  
18 availability for purposes of this Section shall be made  
19 consistent with rules adopted by the Pollution Control  
20 Board pursuant to the Illinois Administrative Procedure  
21 Act for the administration and enforcement of Section 58.9  
22 of the Environmental Protection Act. For purposes of this  
23 Section, "taxpayer" includes a person whose tax attributes  
24 the taxpayer has succeeded to under Section 381 of the  
25 Internal Revenue Code and "related party" includes the  
26 persons disallowed a deduction for losses by paragraphs

1 (b), (c), and (f) (1) of Section 267 of the Internal Revenue  
2 Code by virtue of being a related taxpayer, as well as any  
3 of its partners. The credit allowed against the tax imposed  
4 by subsections (a) and (b) shall be equal to 25% of the  
5 unreimbursed eligible remediation costs in excess of  
6 \$100,000 per site.

7 (ii) A credit allowed under this subsection that is  
8 unused in the year the credit is earned may be carried  
9 forward to each of the 5 taxable years following the year  
10 for which the credit is first earned until it is used. This  
11 credit shall be applied first to the earliest year for  
12 which there is a liability. If there is a credit under this  
13 subsection from more than one tax year that is available to  
14 offset a liability, the earliest credit arising under this  
15 subsection shall be applied first. A credit allowed under  
16 this subsection may be sold to a buyer as part of a sale of  
17 all or part of the remediation site for which the credit  
18 was granted. The purchaser of a remediation site and the  
19 tax credit shall succeed to the unused credit and remaining  
20 carry-forward period of the seller. To perfect the  
21 transfer, the assignor shall record the transfer in the  
22 chain of title for the site and provide written notice to  
23 the Director of the Illinois Department of Revenue of the  
24 assignor's intent to sell the remediation site and the  
25 amount of the tax credit to be transferred as a portion of  
26 the sale. In no event may a credit be transferred to any

1 taxpayer if the taxpayer or a related party would not be  
2 eligible under the provisions of subsection (i).

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

6 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;  
7 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.  
8 1-13-11; 97-2, eff. 5-6-11; 97-636, eff. 6-1-12.)

9 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

10 Sec. 203. Base income defined.

11 (a) Individuals.

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

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

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



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

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

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

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

1 Care Savings Account Act or subsection (b) of Section  
2 20 of the Medical Care Savings Account Act of 2000;

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

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

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

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

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

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

1 gross income under Section 78 of the Internal Revenue  
2 Code) with respect to the stock of the same person to  
3 whom the interest was paid, accrued, or incurred.

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

22 (D-18) An amount equal to the amount of intangible  
23 expenses and costs otherwise allowed as a deduction in  
24 computing base income, and that were paid, accrued, or  
25 incurred, directly or indirectly, (i) for taxable  
26 years ending on or after December 31, 2004, to a

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

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

15                 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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



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

4           (D-19) 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 stock  
24          of the same person to whom the premiums and costs were  
25          directly or indirectly paid, incurred, or accrued. The  
26          preceding sentence does not apply to the extent that

1 the same dividends caused a reduction to the addition  
2 modification required under Section 203(a)(2)(D-17) or  
3 Section 203(a)(2)(D-18) of this Act.

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

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

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

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

26 (D-22) For taxable years beginning on or after

1 January 1, 2009, in the case of a nonqualified  
2 withdrawal or refund of moneys from a qualified tuition  
3 program under Section 529 of the Internal Revenue Code  
4 administered by the State that is not used for  
5 qualified expenses at an eligible education  
6 institution, an amount equal to the contribution  
7 component of the nonqualified withdrawal or refund  
8 that was previously deducted from base income under  
9 subsection (a)(2)(y) of this Section, provided that  
10 the withdrawal or refund did not result from the  
11 beneficiary's death or disability;

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

18 (E) For taxable years ending before December 31,  
19 2001, any amount included in such total in respect of  
20 any compensation (including but not limited to any  
21 compensation paid or accrued to a serviceman while a  
22 prisoner of war or missing in action) paid to a  
23 resident by reason of being on active duty in the Armed  
24 Forces of the United States and in respect of any  
25 compensation paid or accrued to a resident who as a  
26 governmental employee was a prisoner of war or missing

1 in action, and in respect of any compensation paid to a  
2 resident in 1971 or thereafter for annual training  
3 performed pursuant to Sections 502 and 503, Title 32,  
4 United States Code as a member of the Illinois National  
5 Guard or, beginning with taxable years ending on or  
6 after December 31, 2007, the National Guard of any  
7 other state. For taxable years ending on or after  
8 December 31, 2001, any amount included in such total in  
9 respect of any compensation (including but not limited  
10 to any compensation paid or accrued to a serviceman  
11 while a prisoner of war or missing in action) paid to a  
12 resident by reason of being a member of any component  
13 of the Armed Forces of the United States and in respect  
14 of any compensation paid or accrued to a resident who  
15 as a governmental employee was a prisoner of war or  
16 missing in action, and in respect of any compensation  
17 paid to a resident in 2001 or thereafter by reason of  
18 being a member of the Illinois National Guard or,  
19 beginning with taxable years ending on or after  
20 December 31, 2007, the National Guard of any other  
21 state. The provisions of this subparagraph (E) are  
22 exempt from the provisions of Section 250;

23 (F) An amount equal to all amounts included in such  
24 total pursuant to the provisions of Sections 402(a),  
25 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
26 Internal Revenue Code, or included in such total as

1 distributions under the provisions of any retirement  
2 or disability plan for employees of any governmental  
3 agency or unit, or retirement payments to retired  
4 partners, which payments are excluded in computing net  
5 earnings from self employment by Section 1402 of the  
6 Internal Revenue Code and regulations adopted pursuant  
7 thereto; except that for taxable years beginning on or  
8 after January 1, 2013, the deduction from income under  
9 this item (F) does not apply to retirement or survivor  
10 income received by an individual before he or she has  
11 attained age 65. This age restriction does not apply to  
12 disability income;

13 (G) The valuation limitation amount;

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

22 (J) An amount equal to those dividends included in  
23 such total which were paid by a corporation which  
24 conducts business operations in an Enterprise Zone or  
25 zones created under the Illinois Enterprise Zone Act or  
26 a River Edge Redevelopment Zone or zones created under

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

19 (b) Corporations.

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

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

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

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

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

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

23           (E) For taxable years in which a net operating loss  
24 carryback or carryforward from a taxable year ending  
25 prior to December 31, 1986 is an element of taxable  
26 income under paragraph (1) of subsection (e) or

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

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

15                  (ii) 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 not exceed the amount of  
19                  such carryback or carryforward;

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

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

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

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

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

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

1 respect to any one piece of property;

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

1 same person to whom the interest was paid, accrued, or  
2 incurred.

3 This paragraph shall not apply to the following:

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

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

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

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

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

1           paid, accrued, or incurred relates to a contract or  
2           agreement entered into at arm's-length rates and  
3           terms and the principal purpose for the payment is  
4           not federal or Illinois tax avoidance; 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          Nothing in this subsection shall preclude the  
13          Director from making any other adjustment  
14          otherwise allowed under Section 404 of this Act for  
15          any tax year beginning after the effective date of  
16          this amendment provided such adjustment is made  
17          pursuant to regulation adopted by the Department  
18          and such regulations provide methods and standards  
19          by which the Department will utilize its authority  
20          under Section 404 of this Act;

21          (E-13) An amount equal to the amount of intangible  
22          expenses and costs otherwise allowed as a deduction in  
23          computing base income, and that were paid, accrued, or  
24          incurred, directly or indirectly, (i) for taxable  
25          years ending on or after December 31, 2004, to a  
26          foreign person who would be a member of the same



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

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

14 This paragraph shall not apply to the following:

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

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

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

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

12 (iii) any item of intangible expense or cost  
13 paid, accrued, or incurred, directly or  
14 indirectly, from a transaction with a person if the  
15 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 alternative  
19 method of apportionment under Section 304(f);

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

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

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

1 modification required under Section 203(b) (2) (E-12) or  
2 Section 203(b) (2) (E-13) of this Act;

3 (E-15) For taxable years beginning after December  
4 31, 2008, any deduction for dividends paid by a captive  
5 real estate investment trust that is allowed to a real  
6 estate investment trust under Section 857(b) (2) (B) of  
7 the Internal Revenue Code for dividends paid;

8 (E-16) 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 and by deducting from the total so obtained the sum of the  
13 following amounts:

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

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

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

1 171(a) (2), and 265(a)(2) and amounts disallowed as  
2 interest expense by Section 291(a)(3) of the Internal  
3 Revenue Code, and all amounts of expenses allocable to  
4 interest and disallowed as deductions by Section  
5 265(a)(1) of the Internal Revenue Code; and (ii) for  
6 taxable years ending on or after August 13, 1999,  
7 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
8 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
9 for tax years ending on or after December 31, 2011,  
10 amounts disallowed as deductions by Section 45G(e)(3)  
11 of the Internal Revenue Code and, for taxable years  
12 ending on or after December 31, 2008, any amount  
13 included in gross income under Section 87 of the  
14 Internal Revenue Code and the policyholders' share of  
15 tax-exempt interest of a life insurance company under  
16 Section 807(a)(2)(B) of the Internal Revenue Code (in  
17 the case of a life insurance company with gross income  
18 from a decrease in reserves for the tax year) or  
19 Section 807(b)(1)(B) of the Internal Revenue Code (in  
20 the case of a life insurance company allowed a  
21 deduction for an increase in reserves for the tax  
22 year); the provisions of this subparagraph are exempt  
23 from the provisions of Section 250;

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

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

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

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

26 (M) For any taxpayer that is a financial

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

24 (M-1) For any taxpayer that is a financial  
25 organization within the meaning of Section 304(c) of  
26 this Act, an amount included in such total as interest



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

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

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

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

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

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

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

24 (R) On and after July 20, 1999, in the case of an  
25 attorney-in-fact with respect to whom an interinsurer  
26 or a reciprocal insurer has made the election under

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

25 (Z) The difference between the nondeductible  
26 controlled foreign corporation dividends under Section

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

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

15          (c) Trusts and estates.

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

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

23                       (A) An amount equal to all amounts paid or accrued  
24                       to the taxpayer as interest or dividends during the  
25                       taxable year to the extent excluded from gross income

1 in the computation of taxable income;

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

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

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

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

25 (i) the addition modification relating to the  
26 net operating loss carried back or forward to the

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

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

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

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

25 (G) An amount equal to the amount of the capital  
26 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the  
2 computation of taxable income;

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

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

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

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

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

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

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

5 This paragraph shall not apply to the following:

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

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

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

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

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

7 (iv) 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  
16 otherwise allowed under Section 404 of this Act for  
17 any tax year beginning after the effective date of  
18 this amendment provided such adjustment is made  
19 pursuant to regulation adopted by the Department  
20 and such regulations provide methods and standards  
21 by which the Department will utilize its authority  
22 under Section 404 of this Act;

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

16 This paragraph shall not apply to the following:

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

24 (ii) any item of intangible expense or cost  
25 paid, accrued, or incurred, directly or  
26 indirectly, if the taxpayer can establish, based

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

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

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

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

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

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

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

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

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

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

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

22 (I) The valuation limitation amount;

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

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

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

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

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

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

14           (O) 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 a  
18 High Impact Business located in Illinois; provided  
19 that dividends eligible for the deduction provided in  
20 subparagraph (M) of paragraph (2) of this subsection  
21 shall not be eligible for the deduction provided under  
22 this subparagraph (O);

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

1 the Internal Revenue Code;

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



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

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

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

22 (2) for taxable years ending on or before  
23 December 31, 2005, "x" equals "y" multiplied by 30  
24 and then divided by 70 (or "y" multiplied by  
25 0.429); and

26 (3) for taxable years ending after December

1           31, 2005:

2                   (i) for property on which a bonus  
3                   depreciation deduction of 30% of the adjusted  
4                   basis was taken, "x" equals "y" multiplied by  
5                   30 and then divided by 70 (or "y" multiplied by  
6                   0.429); and

7                   (ii) for property on which a bonus  
8                   depreciation deduction of 50% of the adjusted  
9                   basis was taken, "x" equals "y" multiplied by  
10                  1.0.

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

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

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

1 federal income tax purposes and for which the taxpayer  
2 was required in any taxable year to make an addition  
3 modification under subparagraph (G-10), then an amount  
4 equal to that addition modification.

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

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

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

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

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

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

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

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

1 exempt from the provisions of Section 250; and

2 (Y) 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(c)(2)(G-14), 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 or  
8 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 makes  
12 the election provided for by this subparagraph (Y), the  
13 insurer to which the premiums were paid must add back  
14 to income the amount subtracted by the taxpayer  
15 pursuant to this subparagraph (Y). This subparagraph  
16 (Y) is exempt from the provisions of Section 250.

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

24 (d) Partnerships.

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

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

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

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

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

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

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

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

25 (D-6) If the taxpayer sells, transfers, abandons,  
26 or otherwise disposes of property for which the

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

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

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

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



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

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           preponderance of the evidence, both of the  
2           following:

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

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

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

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

26                  Nothing in this subsection shall preclude the

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

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

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

1 similar types of intangible assets;

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 is  
6 subject in a foreign country or state, other than a  
7 state which requires mandatory unitary reporting,  
8 to a tax on or measured by net income with respect  
9 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 the  
3           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 alternative  
7           method of apportionment under Section 304(f);

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

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

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

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

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

23 (E) The valuation limitation amount;

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

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

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

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



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

17           (K) An amount equal to those dividends included in  
18 such total which were paid by a corporation which  
19 conducts business operations in an Enterprise Zone or  
20 zones created under the Illinois Enterprise Zone Act,  
21 enacted by the 82nd General Assembly, or 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 an Enterprise Zone or Zones or  
25 from a River Edge Redevelopment Zone or zones. This  
26 subparagraph (K) is exempt from the provisions of

1 Section 250;

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

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

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

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

25 (1) "y" equals the amount of the depreciation  
26 deduction taken for the taxable year on the

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

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

10 (3) for taxable years ending after December  
11 31, 2005:

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

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

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

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

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

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

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

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

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

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

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

1 taxable year under Section 203(d)(2)(D-7) for interest  
2 paid, accrued, or incurred, directly or indirectly, to  
3 the same person. This subparagraph (R) is exempt from  
4 Section 250;

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

25 (T) For taxable years ending on or after December  
26 31, 2011, in the case of a taxpayer who was required to

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

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

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

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

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

25 (A) Certain life insurance companies. In the case  
26 of a life insurance company subject to the tax imposed



1 by Section 801 of the Internal Revenue Code, life  
2 insurance company taxable income, plus the amount of  
3 distribution from pre-1984 policyholder surplus  
4 accounts as calculated under Section 815a of the  
5 Internal Revenue Code;

6 (B) Certain other insurance companies. In the case  
7 of mutual insurance companies subject to the tax  
8 imposed by Section 831 of the Internal Revenue Code,  
9 insurance company taxable income;

10 (C) Regulated investment companies. In the case of  
11 a regulated investment company subject to the tax  
12 imposed by Section 852 of the Internal Revenue Code,  
13 investment company taxable income;

14 (D) Real estate investment trusts. In the case of a  
15 real estate investment trust subject to the tax imposed  
16 by Section 857 of the Internal Revenue Code, real  
17 estate investment trust taxable income;

18 (E) Consolidated corporations. In the case of a  
19 corporation which is a member of an affiliated group of  
20 corporations filing a consolidated income tax return  
21 for the taxable year for federal income tax purposes,  
22 taxable income determined as if such corporation had  
23 filed a separate return for federal income tax purposes  
24 for the taxable year and each preceding taxable year  
25 for which it was a member of an affiliated group. For  
26 purposes of this subparagraph, the taxpayer's separate

1 taxable income shall be determined as if the election  
2 provided by Section 243(b) (2) of the Internal Revenue  
3 Code had been in effect for all such years;

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

1 the election may only be revoked upon approval of the  
2 Director. The Department shall adopt rules setting  
3 forth requirements for documenting the elections and  
4 any resulting Illinois net loss and the standards to be  
5 used by the Director in evaluating requests to revoke  
6 elections. Public Act 96-932 is declaratory of  
7 existing law;

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

24 (H) Partnerships. In the case of a partnership,  
25 taxable income determined in accordance with Section  
26 703 of the Internal Revenue Code, except that taxable

1 income shall take into account those items which are  
2 required by Section 703(a)(1) to be separately stated  
3 but which would be taken into account by an individual  
4 in calculating his taxable income.

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

22 (f) Valuation limitation amount.

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

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

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

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

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

26 (B) If the fair market value of property referred

1 to in paragraph (1) was not readily ascertainable on  
2 August 1, 1969, the pre-August 1, 1969 appreciation  
3 amount for such property is that amount which bears the  
4 same ratio to the total gain reported in respect of the  
5 property for federal income tax purposes for the  
6 taxable year, as the number of full calendar months in  
7 that part of the taxpayer's holding period for the  
8 property ending July 31, 1969 bears to the number of  
9 full calendar months in the taxpayer's entire holding  
10 period for the property.

11 (C) The Department shall prescribe such  
12 regulations as may be necessary to carry out the  
13 purposes of this paragraph.

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

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

1 August 1, 1969 or otherwise.

2 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
3 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
4 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
5 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
6 eff. 8-23-11.)

7 Section 155. The Illinois Pension Code is amended by  
8 changing Sections 2-124, 14-131, 15-155, 16-158, and 18-131 as  
9 follows:

10 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

11 Sec. 2-124. Contributions by State.

12 (a) The State shall make contributions to the System by  
13 appropriations of amounts which, together with the  
14 contributions of participants, interest earned on investments,  
15 and other income will meet the cost of maintaining and  
16 administering the System on a 90% funded basis in accordance  
17 with actuarial recommendations.

18 (b) The Board shall determine the amount of State  
19 contributions required for each fiscal year on the basis of the  
20 actuarial tables and other assumptions adopted by the Board and  
21 the prescribed rate of interest, using the formula in  
22 subsection (c).

23 (c) For State fiscal years 2012 through 2045, the minimum  
24 contribution to the System to be made by the State for each

1 fiscal year shall be an amount determined by the System to be  
2 sufficient to bring the total assets of the System up to  
3 90% of the total actuarial liabilities of the System by the end  
4 of State fiscal year 2045. In making these determinations, the  
5 required State contribution shall be calculated each year as a  
6 level percentage of payroll over the years remaining to and  
7 including fiscal year 2045 and shall be determined under the  
8 projected unit credit actuarial cost method.

9 For State fiscal years 1996 through 2005, the State  
10 contribution to the System, as a percentage of the applicable  
11 employee payroll, shall be increased in equal annual increments  
12 so that by State fiscal year 2011, the State is contributing at  
13 the rate required under this Section.

14 Notwithstanding any other provision of this Article, the  
15 total required State contribution for State fiscal year 2006 is  
16 \$4,157,000.

17 Notwithstanding any other provision of this Article, the  
18 total required State contribution for State fiscal year 2007 is  
19 \$5,220,300.

20 For each of State fiscal years 2008 through 2009, the State  
21 contribution to the System, as a percentage of the applicable  
22 employee payroll, shall be increased in equal annual increments  
23 from the required State contribution for State fiscal year  
24 2007, so that by State fiscal year 2011, the State is  
25 contributing at the rate otherwise required under this Section.

26 Notwithstanding any other provision of this Article, the



1 total required State contribution for State fiscal year 2010 is  
2 \$10,454,000 and shall be made from the proceeds of bonds sold  
3 in fiscal year 2010 pursuant to Section 7.2 of the General  
4 Obligation Bond Act, less (i) the pro rata share of bond sale  
5 expenses determined by the System's share of total bond  
6 proceeds, (ii) any amounts received from the General Revenue  
7 Fund in fiscal year 2010, and (iii) any reduction in bond  
8 proceeds due to the issuance of discounted bonds, if  
9 applicable.

10 Notwithstanding any other provision of this Article, the  
11 total required State contribution for State fiscal year 2011 is  
12 the amount recertified by the System on or before April 1, 2011  
13 pursuant to Section 2-134 and shall be made from the proceeds  
14 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of  
15 the General Obligation Bond Act, less (i) the pro rata share of  
16 bond sale expenses determined by the System's share of total  
17 bond proceeds, (ii) any amounts received from the General  
18 Revenue Fund in fiscal year 2011, and (iii) any reduction in  
19 bond proceeds due to the issuance of discounted bonds, if  
20 applicable.

21 Beginning in State fiscal year 2046, the minimum State  
22 contribution for each fiscal year shall be the amount needed to  
23 maintain the total assets of the System at 90% of the total  
24 actuarial liabilities of the System.

25 Amounts received by the System pursuant to Section 35 of  
26 the Pension Stabilization Act, Section 25 of the Budget

1 Stabilization Act (now repealed), or Section 8.12 of the State  
2 Finance Act in any fiscal year do not reduce and do not  
3 constitute payment of any portion of the minimum State  
4 contribution required under this Article in that fiscal year.  
5 Such amounts shall not reduce, and shall not be included in the  
6 calculation of, the required State contributions under this  
7 Article in any future year until the System has reached a  
8 funding ratio of at least 90%. A reference in this Article to  
9 the "required State contribution" or any substantially similar  
10 term does not include or apply to any amounts payable to the  
11 System under Section 35 of the Pension Stabilization Act or  
12 Section 25 of the Budget Stabilization Act.

13 Notwithstanding any other provision of this Section, the  
14 required State contribution for State fiscal year 2005 and for  
15 fiscal year 2008 and each fiscal year thereafter, as calculated  
16 under this Section and certified under Section 2-134, shall not  
17 exceed an amount equal to (i) the amount of the required State  
18 contribution that would have been calculated under this Section  
19 for that fiscal year if the System had not received any  
20 payments under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act, minus (ii) the portion of the State's  
22 total debt service payments for that fiscal year on the bonds  
23 issued in fiscal year 2003 for the purposes of that Section 7.2  
24 (including any bonds issued to refund those bonds), as  
25 determined and certified by the Comptroller, that is the same  
26 as the System's portion of the total moneys distributed under

1 subsection (d) of Section 7.2 of the General Obligation Bond  
2 Act. In determining this maximum for State fiscal years 2008  
3 through 2010, however, the amount referred to in item (i) shall  
4 be increased, as a percentage of the applicable employee  
5 payroll, in equal increments calculated from the sum of the  
6 required State contribution for State fiscal year 2007 plus the  
7 applicable portion of the State's total debt service payments  
8 for fiscal year 2007 on the bonds issued in fiscal year 2003  
9 for the purposes of Section 7.2 of the General Obligation Bond  
10 Act, so that, by State fiscal year 2011, the State is  
11 contributing at the rate otherwise required under this Section.

12 (d) For purposes of determining the required State  
13 contribution to the System, the value of the System's assets  
14 shall be equal to the actuarial value of the System's assets,  
15 which shall be calculated as follows:

16 As of June 30, 2008, the actuarial value of the System's  
17 assets shall be equal to the market value of the assets as of  
18 that date. In determining the actuarial value of the System's  
19 assets for fiscal years after June 30, 2008, any actuarial  
20 gains or losses from investment return incurred in a fiscal  
21 year shall be recognized in equal annual amounts over the  
22 5-year period following that fiscal year.

23 (e) For purposes of determining the required State  
24 contribution to the system for a particular year, the actuarial  
25 value of assets shall be assumed to earn a rate of return equal  
26 to the system's actuarially assumed rate of return.

1 (Source: P.A. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09;  
2 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff.  
3 3-18-11; revised 4-6-11.)

4 (40 ILCS 5/14-131)

5 Sec. 14-131. Contributions by State.

6 (a) The State shall make contributions to the System by  
7 appropriations of amounts which, together with other employer  
8 contributions from trust, federal, and other funds, employee  
9 contributions, investment income, and other income, will be  
10 sufficient to meet the cost of maintaining and administering  
11 the System on a 90% funded basis in accordance with actuarial  
12 recommendations.

13 For the purposes of this Section and Section 14-135.08,  
14 references to State contributions refer only to employer  
15 contributions and do not include employee contributions that  
16 are picked up or otherwise paid by the State or a department on  
17 behalf of the employee.

18 (b) The Board shall determine the total amount of State  
19 contributions required for each fiscal year on the basis of the  
20 actuarial tables and other assumptions adopted by the Board,  
21 using the formula in subsection (e).

22 The Board shall also determine a State contribution rate  
23 for each fiscal year, expressed as a percentage of payroll,  
24 based on the total required State contribution for that fiscal  
25 year (less the amount received by the System from

1 appropriations under Section 8.12 of the State Finance Act and  
2 Section 1 of the State Pension Funds Continuing Appropriation  
3 Act, if any, for the fiscal year ending on the June 30  
4 immediately preceding the applicable November 15 certification  
5 deadline), the estimated payroll (including all forms of  
6 compensation) for personal services rendered by eligible  
7 employees, and the recommendations of the actuary.

8 For the purposes of this Section and Section 14.1 of the  
9 State Finance Act, the term "eligible employees" includes  
10 employees who participate in the System, persons who may elect  
11 to participate in the System but have not so elected, persons  
12 who are serving a qualifying period that is required for  
13 participation, and annuitants employed by a department as  
14 described in subdivision (a) (1) or (a) (2) of Section 14-111.

15 (c) Contributions shall be made by the several departments  
16 for each pay period by warrants drawn by the State Comptroller  
17 against their respective funds or appropriations based upon  
18 vouchers stating the amount to be so contributed. These amounts  
19 shall be based on the full rate certified by the Board under  
20 Section 14-135.08 for that fiscal year. From the effective date  
21 of this amendatory Act of the 93rd General Assembly through the  
22 payment of the final payroll from fiscal year 2004  
23 appropriations, the several departments shall not make  
24 contributions for the remainder of fiscal year 2004 but shall  
25 instead make payments as required under subsection (a-1) of  
26 Section 14.1 of the State Finance Act. The several departments

1 shall resume those contributions at the commencement of fiscal  
2 year 2005.

3 (c-1) Notwithstanding subsection (c) of this Section, for  
4 fiscal years 2010 and 2012 only, contributions by the several  
5 departments are not required to be made for General Revenue  
6 Funds payrolls processed by the Comptroller. Payrolls paid by  
7 the several departments from all other State funds must  
8 continue to be processed pursuant to subsection (c) of this  
9 Section.

10 (c-2) For State fiscal years 2010 and 2012 only, on or as  
11 soon as possible after the 15th day of each month, the Board  
12 shall submit vouchers for payment of State contributions to the  
13 System, in a total monthly amount of one-twelfth of the fiscal  
14 year General Revenue Fund contribution as certified by the  
15 System pursuant to Section 14-135.08 of the Illinois Pension  
16 Code.

17 (d) If an employee is paid from trust funds or federal  
18 funds, the department or other employer shall pay employer  
19 contributions from those funds to the System at the certified  
20 rate, unless the terms of the trust or the federal-State  
21 agreement preclude the use of the funds for that purpose, in  
22 which case the required employer contributions shall be paid by  
23 the State. From the effective date of this amendatory Act of  
24 the 93rd General Assembly through the payment of the final  
25 payroll from fiscal year 2004 appropriations, the department or  
26 other employer shall not pay contributions for the remainder of

1 fiscal year 2004 but shall instead make payments as required  
2 under subsection (a-1) of Section 14.1 of the State Finance  
3 Act. The department or other employer shall resume payment of  
4 contributions at the commencement of fiscal year 2005.

5 (e) For State fiscal years 2012 through 2045, the minimum  
6 contribution to the System to be made by the State for each  
7 fiscal year shall be an amount determined by the System to be  
8 sufficient to bring the total assets of the System up to 90% of  
9 the total actuarial liabilities of the System by the end of  
10 State fiscal year 2045. In making these determinations, the  
11 required State contribution shall be calculated each year as a  
12 level percentage of payroll over the years remaining to and  
13 including fiscal year 2045 and shall be determined under the  
14 projected unit credit actuarial cost method.

15 For State fiscal years 1996 through 2005, the State  
16 contribution to the System, as a percentage of the applicable  
17 employee payroll, shall be increased in equal annual increments  
18 so that by State fiscal year 2011, the State is contributing at  
19 the rate required under this Section; except that (i) for State  
20 fiscal year 1998, for all purposes of this Code and any other  
21 law of this State, the certified percentage of the applicable  
22 employee payroll shall be 5.052% for employees earning eligible  
23 creditable service under Section 14-110 and 6.500% for all  
24 other employees, notwithstanding any contrary certification  
25 made under Section 14-135.08 before the effective date of this  
26 amendatory Act of 1997, and (ii) in the following specified

1 State fiscal years, the State contribution to the System shall  
2 not be less than the following indicated percentages of the  
3 applicable employee payroll, even if the indicated percentage  
4 will produce a State contribution in excess of the amount  
5 otherwise required under this subsection and subsection (a):  
6 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY  
7 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

8 Notwithstanding any other provision of this Article, the  
9 total required State contribution to the System for State  
10 fiscal year 2006 is \$203,783,900.

11 Notwithstanding any other provision of this Article, the  
12 total required State contribution to the System for State  
13 fiscal year 2007 is \$344,164,400.

14 For each of State fiscal years 2008 through 2009, the State  
15 contribution to the System, as a percentage of the applicable  
16 employee payroll, shall be increased in equal annual increments  
17 from the required State contribution for State fiscal year  
18 2007, so that by State fiscal year 2011, the State is  
19 contributing at the rate otherwise required under this Section.

20 Notwithstanding any other provision of this Article, the  
21 total required State General Revenue Fund contribution for  
22 State fiscal year 2010 is \$723,703,100 and shall be made from  
23 the proceeds of bonds sold in fiscal year 2010 pursuant to  
24 Section 7.2 of the General Obligation Bond Act, less (i) the  
25 pro rata share of bond sale expenses determined by the System's  
26 share of total bond proceeds, (ii) any amounts received from



1 the General Revenue Fund in fiscal year 2010, and (iii) any  
2 reduction in bond proceeds due to the issuance of discounted  
3 bonds, if applicable.

4 Notwithstanding any other provision of this Article, the  
5 total required State General Revenue Fund contribution for  
6 State fiscal year 2011 is the amount recertified by the System  
7 on or before April 1, 2011 pursuant to Section 14-135.08 and  
8 shall be made from the proceeds of bonds sold in fiscal year  
9 2011 pursuant to Section 7.2 of the General Obligation Bond  
10 Act, less (i) the pro rata share of bond sale expenses  
11 determined by the System's share of total bond proceeds, (ii)  
12 any amounts received from the General Revenue Fund in fiscal  
13 year 2011, and (iii) any reduction in bond proceeds due to the  
14 issuance of discounted bonds, if applicable.

15 Beginning in State fiscal year 2046, the minimum State  
16 contribution for each fiscal year shall be the amount needed to  
17 maintain the total assets of the System at 90% of the total  
18 actuarial liabilities of the System.

19 Amounts received by the System pursuant to Section 35 of  
20 the Pension Stabilization Act, Section 25 of the Budget  
21 Stabilization Act (now repealed), or Section 8.12 of the State  
22 Finance Act in any fiscal year do not reduce and do not  
23 constitute payment of any portion of the minimum State  
24 contribution required under this Article in that fiscal year.  
25 Such amounts shall not reduce, and shall not be included in the  
26 calculation of, the required State contributions under this

1 Article in any future year until the System has reached a  
2 funding ratio of at least 90%. A reference in this Article to  
3 the "required State contribution" or any substantially similar  
4 term does not include or apply to any amounts payable to the  
5 System under Section 35 of the Pension Stabilization Act or  
6 Section 25 of the Budget Stabilization Act.

7 Notwithstanding any other provision of this Section, the  
8 required State contribution for State fiscal year 2005 and for  
9 fiscal year 2008 and each fiscal year thereafter, as calculated  
10 under this Section and certified under Section 14-135.08, shall  
11 not exceed an amount equal to (i) the amount of the required  
12 State contribution that would have been calculated under this  
13 Section for that fiscal year if the System had not received any  
14 payments under subsection (d) of Section 7.2 of the General  
15 Obligation Bond Act, minus (ii) the portion of the State's  
16 total debt service payments for that fiscal year on the bonds  
17 issued in fiscal year 2003 for the purposes of that Section 7.2  
18 (including any bonds issued to refund those bonds), as  
19 determined and certified by the Comptroller, that is the same  
20 as the System's portion of the total moneys distributed under  
21 subsection (d) of Section 7.2 of the General Obligation Bond  
22 Act. In determining this maximum for State fiscal years 2008  
23 through 2010, however, the amount referred to in item (i) shall  
24 be increased, as a percentage of the applicable employee  
25 payroll, in equal increments calculated from the sum of the  
26 required State contribution for State fiscal year 2007 plus the

1 applicable portion of the State's total debt service payments  
2 for fiscal year 2007 on the bonds issued in fiscal year 2003  
3 for the purposes of Section 7.2 of the General Obligation Bond  
4 Act, so that, by State fiscal year 2011, the State is  
5 contributing at the rate otherwise required under this Section.

6 (f) After the submission of all payments for eligible  
7 employees from personal services line items in fiscal year 2004  
8 have been made, the Comptroller shall provide to the System a  
9 certification of the sum of all fiscal year 2004 expenditures  
10 for personal services that would have been covered by payments  
11 to the System under this Section if the provisions of this  
12 amendatory Act of the 93rd General Assembly had not been  
13 enacted. Upon receipt of the certification, the System shall  
14 determine the amount due to the System based on the full rate  
15 certified by the Board under Section 14-135.08 for fiscal year  
16 2004 in order to meet the State's obligation under this  
17 Section. The System shall compare this amount due to the amount  
18 received by the System in fiscal year 2004 through payments  
19 under this Section and under Section 6z-61 of the State Finance  
20 Act. If the amount due is more than the amount received, the  
21 difference shall be termed the "Fiscal Year 2004 Shortfall" for  
22 purposes of this Section, and the Fiscal Year 2004 Shortfall  
23 shall be satisfied under Section 1.2 of the State Pension Funds  
24 Continuing Appropriation Act. If the amount due is less than  
25 the amount received, the difference shall be termed the "Fiscal  
26 Year 2004 Overpayment" for purposes of this Section, and the

1 Fiscal Year 2004 Overpayment shall be repaid by the System to  
2 the Pension Contribution Fund as soon as practicable after the  
3 certification.

4 (g) For purposes of determining the required State  
5 contribution to the System, the value of the System's assets  
6 shall be equal to the actuarial value of the System's assets,  
7 which shall be calculated as follows:

8 As of June 30, 2008, the actuarial value of the System's  
9 assets shall be equal to the market value of the assets as of  
10 that date. In determining the actuarial value of the System's  
11 assets for fiscal years after June 30, 2008, any actuarial  
12 gains or losses from investment return incurred in a fiscal  
13 year shall be recognized in equal annual amounts over the  
14 5-year period following that fiscal year.

15 (h) For purposes of determining the required State  
16 contribution to the System for a particular year, the actuarial  
17 value of assets shall be assumed to earn a rate of return equal  
18 to the System's actuarially assumed rate of return.

19 (i) After the submission of all payments for eligible  
20 employees from personal services line items paid from the  
21 General Revenue Fund in fiscal year 2010 have been made, the  
22 Comptroller shall provide to the System a certification of the  
23 sum of all fiscal year 2010 expenditures for personal services  
24 that would have been covered by payments to the System under  
25 this Section if the provisions of this amendatory Act of the  
26 96th General Assembly had not been enacted. Upon receipt of the

1 certification, the System shall determine the amount due to the  
2 System based on the full rate certified by the Board under  
3 Section 14-135.08 for fiscal year 2010 in order to meet the  
4 State's obligation under this Section. The System shall compare  
5 this amount due to the amount received by the System in fiscal  
6 year 2010 through payments under this Section. If the amount  
7 due is more than the amount received, the difference shall be  
8 termed the "Fiscal Year 2010 Shortfall" for purposes of this  
9 Section, and the Fiscal Year 2010 Shortfall shall be satisfied  
10 under Section 1.2 of the State Pension Funds Continuing  
11 Appropriation Act. If the amount due is less than the amount  
12 received, the difference shall be termed the "Fiscal Year 2010  
13 Overpayment" for purposes of this Section, and the Fiscal Year  
14 2010 Overpayment shall be repaid by the System to the General  
15 Revenue Fund as soon as practicable after the certification.

16 (j) After the submission of all payments for eligible  
17 employees from personal services line items paid from the  
18 General Revenue Fund in fiscal year 2011 have been made, the  
19 Comptroller shall provide to the System a certification of the  
20 sum of all fiscal year 2011 expenditures for personal services  
21 that would have been covered by payments to the System under  
22 this Section if the provisions of this amendatory Act of the  
23 96th General Assembly had not been enacted. Upon receipt of the  
24 certification, the System shall determine the amount due to the  
25 System based on the full rate certified by the Board under  
26 Section 14-135.08 for fiscal year 2011 in order to meet the

1 State's obligation under this Section. The System shall compare  
2 this amount due to the amount received by the System in fiscal  
3 year 2011 through payments under this Section. If the amount  
4 due is more than the amount received, the difference shall be  
5 termed the "Fiscal Year 2011 Shortfall" for purposes of this  
6 Section, and the Fiscal Year 2011 Shortfall shall be satisfied  
7 under Section 1.2 of the State Pension Funds Continuing  
8 Appropriation Act. If the amount due is less than the amount  
9 received, the difference shall be termed the "Fiscal Year 2011  
10 Overpayment" for purposes of this Section, and the Fiscal Year  
11 2011 Overpayment shall be repaid by the System to the General  
12 Revenue Fund as soon as practicable after the certification.

13 (k) For fiscal year 2012 only, after the submission of all  
14 payments for eligible employees from personal services line  
15 items paid from the General Revenue Fund in the fiscal year  
16 have been made, the Comptroller shall provide to the System a  
17 certification of the sum of all expenditures in the fiscal year  
18 for personal services. Upon receipt of the certification, the  
19 System shall determine the amount due to the System based on  
20 the full rate certified by the Board under Section 14-135.08  
21 for the fiscal year in order to meet the State's obligation  
22 under this Section. The System shall compare this amount due to  
23 the amount received by the System for the fiscal year. If the  
24 amount due is more than the amount received, the difference  
25 shall be termed the "Fiscal Year Shortfall" for purposes of  
26 this Section, and the Fiscal Year Shortfall shall be satisfied

1 under Section 1.2 of the State Pension Funds Continuing  
2 Appropriation Act. If the amount due is less than the amount  
3 received, the difference shall be termed the "Fiscal Year  
4 Overpayment" for purposes of this Section, and the Fiscal Year  
5 Overpayment shall be repaid by the System to the General  
6 Revenue Fund as soon as practicable after the certification.

7 (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09;  
8 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff.  
9 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11.)

10 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

11 Sec. 15-155. Employer contributions.

12 (a) The State of Illinois shall make contributions by  
13 appropriations of amounts which, together with the other  
14 employer contributions from trust, federal, and other funds,  
15 employee contributions, income from investments, and other  
16 income of this System, will be sufficient to meet the cost of  
17 maintaining and administering the System on a 90% funded basis  
18 in accordance with actuarial recommendations.

19 The Board shall determine the amount of State contributions  
20 required for each fiscal year on the basis of the actuarial  
21 tables and other assumptions adopted by the Board and the  
22 recommendations of the actuary, using the formula in subsection  
23 (a-1).

24 (a-1) For State fiscal years 2012 through 2045, the minimum  
25 contribution to the System to be made by the State for each

1 fiscal year shall be an amount determined by the System to be  
2 sufficient to bring the total assets of the System up to 90% of  
3 the total actuarial liabilities of the System by the end of  
4 State fiscal year 2045. In making these determinations, the  
5 required State contribution shall be calculated each year as a  
6 level percentage of payroll over the years remaining to and  
7 including fiscal year 2045 and shall be determined under the  
8 projected unit credit actuarial cost method.

9 For State fiscal years 1996 through 2005, the State  
10 contribution to the System, as a percentage of the applicable  
11 employee payroll, shall be increased in equal annual increments  
12 so that by State fiscal year 2011, the State is contributing at  
13 the rate required under this Section.

14 Notwithstanding any other provision of this Article, the  
15 total required State contribution for State fiscal year 2006 is  
16 \$166,641,900.

17 Notwithstanding any other provision of this Article, the  
18 total required State contribution for State fiscal year 2007 is  
19 \$252,064,100.

20 For each of State fiscal years 2008 through 2009, the State  
21 contribution to the System, as a percentage of the applicable  
22 employee payroll, shall be increased in equal annual increments  
23 from the required State contribution for State fiscal year  
24 2007, so that by State fiscal year 2011, the State is  
25 contributing at the rate otherwise required under this Section.

26 Notwithstanding any other provision of this Article, the



1 total required State contribution for State fiscal year 2010 is  
2 \$702,514,000 and shall be made from the State Pensions Fund and  
3 proceeds of bonds sold in fiscal year 2010 pursuant to Section  
4 7.2 of the General Obligation Bond Act, less (i) the pro rata  
5 share of bond sale expenses determined by the System's share of  
6 total bond proceeds, (ii) any amounts received from the General  
7 Revenue Fund in fiscal year 2010, (iii) any reduction in bond  
8 proceeds due to the issuance of discounted bonds, if  
9 applicable.

10 Notwithstanding any other provision of this Article, the  
11 total required State contribution for State fiscal year 2011 is  
12 the amount recertified by the System on or before April 1, 2011  
13 pursuant to Section 15-165 and shall be made from the State  
14 Pensions Fund and proceeds of bonds sold in fiscal year 2011  
15 pursuant to Section 7.2 of the General Obligation Bond Act,  
16 less (i) the pro rata share of bond sale expenses determined by  
17 the System's share of total bond proceeds, (ii) any amounts  
18 received from the General Revenue Fund in fiscal year 2011, and  
19 (iii) any reduction in bond proceeds due to the issuance of  
20 discounted bonds, if applicable.

21 Beginning in State fiscal year 2046, the minimum State  
22 contribution for each fiscal year shall be the amount needed to  
23 maintain the total assets of the System at 90% of the total  
24 actuarial liabilities of the System.

25 Amounts received by the System pursuant to Section 35 of  
26 the Pension Stabilization Act, Section 25 of the Budget

1 Stabilization Act (now repealed), or Section 8.12 of the State  
2 Finance Act in any fiscal year do not reduce and do not  
3 constitute payment of any portion of the minimum State  
4 contribution required under this Article in that fiscal year.  
5 Such amounts shall not reduce, and shall not be included in the  
6 calculation of, the required State contributions under this  
7 Article in any future year until the System has reached a  
8 funding ratio of at least 90%. A reference in this Article to  
9 the "required State contribution" or any substantially similar  
10 term does not include or apply to any amounts payable to the  
11 System under Section 35 of the Pension Stabilization Act or  
12 Section 25 of the Budget Stabilization Act.

13 Notwithstanding any other provision of this Section, the  
14 required State contribution for State fiscal year 2005 and for  
15 fiscal year 2008 and each fiscal year thereafter, as calculated  
16 under this Section and certified under Section 15-165, shall  
17 not exceed an amount equal to (i) the amount of the required  
18 State contribution that would have been calculated under this  
19 Section for that fiscal year if the System had not received any  
20 payments under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act, minus (ii) the portion of the State's  
22 total debt service payments for that fiscal year on the bonds  
23 issued in fiscal year 2003 for the purposes of that Section 7.2  
24 (including any bonds issued to refund those bonds), as  
25 determined and certified by the Comptroller, that is the same  
26 as the System's portion of the total moneys distributed under

1 subsection (d) of Section 7.2 of the General Obligation Bond  
2 Act. In determining this maximum for State fiscal years 2008  
3 through 2010, however, the amount referred to in item (i) shall  
4 be increased, as a percentage of the applicable employee  
5 payroll, in equal increments calculated from the sum of the  
6 required State contribution for State fiscal year 2007 plus the  
7 applicable portion of the State's total debt service payments  
8 for fiscal year 2007 on the bonds issued in fiscal year 2003  
9 for the purposes of Section 7.2 of the General Obligation Bond  
10 Act, so that, by State fiscal year 2011, the State is  
11 contributing at the rate otherwise required under this Section.

12 (b) If an employee is paid from trust or federal funds, the  
13 employer shall pay to the Board contributions from those funds  
14 which are sufficient to cover the accruing normal costs on  
15 behalf of the employee. However, universities having employees  
16 who are compensated out of local auxiliary funds, income funds,  
17 or service enterprise funds are not required to pay such  
18 contributions on behalf of those employees. The local auxiliary  
19 funds, income funds, and service enterprise funds of  
20 universities shall not be considered trust funds for the  
21 purpose of this Article, but funds of alumni associations,  
22 foundations, and athletic associations which are affiliated  
23 with the universities included as employers under this Article  
24 and other employers which do not receive State appropriations  
25 are considered to be trust funds for the purpose of this  
26 Article.

1           (b-1) The City of Urbana and the City of Champaign shall  
2 each make employer contributions to this System for their  
3 respective firefighter employees who participate in this  
4 System pursuant to subsection (h) of Section 15-107. The rate  
5 of contributions to be made by those municipalities shall be  
6 determined annually by the Board on the basis of the actuarial  
7 assumptions adopted by the Board and the recommendations of the  
8 actuary, and shall be expressed as a percentage of salary for  
9 each such employee. The Board shall certify the rate to the  
10 affected municipalities as soon as may be practical. The  
11 employer contributions required under this subsection shall be  
12 remitted by the municipality to the System at the same time and  
13 in the same manner as employee contributions.

14           (c) Through State fiscal year 1995: The total employer  
15 contribution shall be apportioned among the various funds of  
16 the State and other employers, whether trust, federal, or other  
17 funds, in accordance with actuarial procedures approved by the  
18 Board. State of Illinois contributions for employers receiving  
19 State appropriations for personal services shall be payable  
20 from appropriations made to the employers or to the System. The  
21 contributions for Class I community colleges covering earnings  
22 other than those paid from trust and federal funds, shall be  
23 payable solely from appropriations to the Illinois Community  
24 College Board or the System for employer contributions.

25           (d) Beginning in State fiscal year 1996, the required State  
26 contributions to the System shall be appropriated directly to

1 the System and shall be payable through vouchers issued in  
2 accordance with subsection (c) of Section 15-165, except as  
3 provided in subsection (g).

4 (e) The State Comptroller shall draw warrants payable to  
5 the System upon proper certification by the System or by the  
6 employer in accordance with the appropriation laws and this  
7 Code.

8 (f) Normal costs under this Section means liability for  
9 pensions and other benefits which accrues to the System because  
10 of the credits earned for service rendered by the participants  
11 during the fiscal year and expenses of administering the  
12 System, but shall not include the principal of or any  
13 redemption premium or interest on any bonds issued by the Board  
14 or any expenses incurred or deposits required in connection  
15 therewith.

16 (g) If the amount of a participant's earnings for any  
17 academic year used to determine the final rate of earnings,  
18 determined on a full-time equivalent basis, exceeds the amount  
19 of his or her earnings with the same employer for the previous  
20 academic year, determined on a full-time equivalent basis, by  
21 more than 6%, the participant's employer shall pay to the  
22 System, in addition to all other payments required under this  
23 Section and in accordance with guidelines established by the  
24 System, the present value of the increase in benefits resulting  
25 from the portion of the increase in earnings that is in excess  
26 of 6%. This present value shall be computed by the System on

1 the basis of the actuarial assumptions and tables used in the  
2 most recent actuarial valuation of the System that is available  
3 at the time of the computation. The System may require the  
4 employer to provide any pertinent information or  
5 documentation.

6 Whenever it determines that a payment is or may be required  
7 under this subsection (g), the System shall calculate the  
8 amount of the payment and bill the employer for that amount.  
9 The bill shall specify the calculations used to determine the  
10 amount due. If the employer disputes the amount of the bill, it  
11 may, within 30 days after receipt of the bill, apply to the  
12 System in writing for a recalculation. The application must  
13 specify in detail the grounds of the dispute and, if the  
14 employer asserts that the calculation is subject to subsection  
15 (h) or (i) of this Section, must include an affidavit setting  
16 forth and attesting to all facts within the employer's  
17 knowledge that are pertinent to the applicability of subsection  
18 (h) or (i). Upon receiving a timely application for  
19 recalculation, the System shall review the application and, if  
20 appropriate, recalculate the amount due.

21 The employer contributions required under this subsection  
22 (f) may be paid in the form of a lump sum within 90 days after  
23 receipt of the bill. If the employer contributions are not paid  
24 within 90 days after receipt of the bill, then interest will be  
25 charged at a rate equal to the System's annual actuarially  
26 assumed rate of return on investment compounded annually from

1 the 91st day after receipt of the bill. Payments must be  
2 concluded within 3 years after the employer's receipt of the  
3 bill.

4 (h) This subsection (h) applies only to payments made or  
5 salary increases given on or after June 1, 2005 but before July  
6 1, 2011. The changes made by Public Act 94-1057 shall not  
7 require the System to refund any payments received before July  
8 31, 2006 (the effective date of Public Act 94-1057).

9 When assessing payment for any amount due under subsection  
10 (g), the System shall exclude earnings increases paid to  
11 participants under contracts or collective bargaining  
12 agreements entered into, amended, or renewed before June 1,  
13 2005.

14 When assessing payment for any amount due under subsection  
15 (g), the System shall exclude earnings increases paid to a  
16 participant at a time when the participant is 10 or more years  
17 from retirement eligibility under Section 15-135.

18 When assessing payment for any amount due under subsection  
19 (g), the System shall exclude earnings increases resulting from  
20 overload work, including a contract for summer teaching, or  
21 overtime when the employer has certified to the System, and the  
22 System has approved the certification, that: (i) in the case of  
23 overloads (A) the overload work is for the sole purpose of  
24 academic instruction in excess of the standard number of  
25 instruction hours for a full-time employee occurring during the  
26 academic year that the overload is paid and (B) the earnings

1 increases are equal to or less than the rate of pay for  
2 academic instruction computed using the participant's current  
3 salary rate and work schedule; and (ii) in the case of  
4 overtime, the overtime was necessary for the educational  
5 mission.

6 When assessing payment for any amount due under subsection  
7 (g), the System shall exclude any earnings increase resulting  
8 from (i) a promotion for which the employee moves from one  
9 classification to a higher classification under the State  
10 Universities Civil Service System, (ii) a promotion in academic  
11 rank for a tenured or tenure-track faculty position, or (iii) a  
12 promotion that the Illinois Community College Board has  
13 recommended in accordance with subsection (k) of this Section.  
14 These earnings increases shall be excluded only if the  
15 promotion is to a position that has existed and been filled by  
16 a member for no less than one complete academic year and the  
17 earnings increase as a result of the promotion is an increase  
18 that results in an amount no greater than the average salary  
19 paid for other similar positions.

20 (i) When assessing payment for any amount due under  
21 subsection (g), the System shall exclude any salary increase  
22 described in subsection (h) of this Section given on or after  
23 July 1, 2011 but before July 1, 2014 under a contract or  
24 collective bargaining agreement entered into, amended, or  
25 renewed on or after June 1, 2005 but before July 1, 2011.  
26 Notwithstanding any other provision of this Section, any



1 payments made or salary increases given after June 30, 2014  
2 shall be used in assessing payment for any amount due under  
3 subsection (g) of this Section.

4 (j) The System shall prepare a report and file copies of  
5 the report with the Governor and the General Assembly by  
6 January 1, 2007 that contains all of the following information:

7 (1) The number of recalculations required by the  
8 changes made to this Section by Public Act 94-1057 for each  
9 employer.

10 (2) The dollar amount by which each employer's  
11 contribution to the System was changed due to  
12 recalculations required by Public Act 94-1057.

13 (3) The total amount the System received from each  
14 employer as a result of the changes made to this Section by  
15 Public Act 94-4.

16 (4) The increase in the required State contribution  
17 resulting from the changes made to this Section by Public  
18 Act 94-1057.

19 (k) The Illinois Community College Board shall adopt rules  
20 for recommending lists of promotional positions submitted to  
21 the Board by community colleges and for reviewing the  
22 promotional lists on an annual basis. When recommending  
23 promotional lists, the Board shall consider the similarity of  
24 the positions submitted to those positions recognized for State  
25 universities by the State Universities Civil Service System.  
26 The Illinois Community College Board shall file a copy of its

1 findings with the System. The System shall consider the  
2 findings of the Illinois Community College Board when making  
3 determinations under this Section. The System shall not exclude  
4 any earnings increases resulting from a promotion when the  
5 promotion was not submitted by a community college. Nothing in  
6 this subsection (k) shall require any community college to  
7 submit any information to the Community College Board.

8 (l) For purposes of determining the required State  
9 contribution to the System, the value of the System's assets  
10 shall be equal to the actuarial value of the System's assets,  
11 which shall be calculated as follows:

12 As of June 30, 2008, the actuarial value of the System's  
13 assets shall be equal to the market value of the assets as of  
14 that date. In determining the actuarial value of the System's  
15 assets for fiscal years after June 30, 2008, any actuarial  
16 gains or losses from investment return incurred in a fiscal  
17 year shall be recognized in equal annual amounts over the  
18 5-year period following that fiscal year.

19 (m) For purposes of determining the required State  
20 contribution to the system for a particular year, the actuarial  
21 value of assets shall be assumed to earn a rate of return equal  
22 to the system's actuarially assumed rate of return.

23 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;  
24 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.  
25 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

1 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

2 Sec. 16-158. Contributions by State and other employing  
3 units.

4 (a) The State shall make contributions to the System by  
5 means of appropriations from the Common School Fund and other  
6 State funds of amounts which, together with other employer  
7 contributions, employee contributions, investment income, and  
8 other income, will be sufficient to meet the cost of  
9 maintaining and administering the System on a 90% funded basis  
10 in accordance with actuarial recommendations.

11 The Board shall determine the amount of State contributions  
12 required for each fiscal year on the basis of the actuarial  
13 tables and other assumptions adopted by the Board and the  
14 recommendations of the actuary, using the formula in subsection  
15 (b-3).

16 (a-1) Annually, on or before November 15, the Board shall  
17 certify to the Governor the amount of the required State  
18 contribution for the coming fiscal year. The certification  
19 shall include a copy of the actuarial recommendations upon  
20 which it is based.

21 On or before May 1, 2004, the Board shall recalculate and  
22 recertify to the Governor the amount of the required State  
23 contribution to the System for State fiscal year 2005, taking  
24 into account the amounts appropriated to and received by the  
25 System under subsection (d) of Section 7.2 of the General  
26 Obligation Bond Act.

1           On or before July 1, 2005 ~~April 1, 2011~~, the Board shall  
2 recalculate and recertify to the Governor the amount of the  
3 required State contribution to the System for State fiscal year  
4 2006, taking into account the changes in required State  
5 contributions made by this amendatory Act of the 94th General  
6 Assembly.

7           On or before April 1, 2011 ~~June 15, 2010~~, the Board shall  
8 recalculate and recertify to the Governor the amount of the  
9 required State contribution to the System for State fiscal year  
10 2011, applying the changes made by Public Act 96-889 to the  
11 System's assets and liabilities as of June 30, 2009 as though  
12 Public Act 96-889 was approved on that date.

13           (b) Through State fiscal year 1995, the State contributions  
14 shall be paid to the System in accordance with Section 18-7 of  
15 the School Code.

16           (b-1) Beginning in State fiscal year 1996, on the 15th day  
17 of each month, or as soon thereafter as may be practicable, the  
18 Board shall submit vouchers for payment of State contributions  
19 to the System, in a total monthly amount of one-twelfth of the  
20 required annual State contribution certified under subsection  
21 (a-1). From the effective date of this amendatory Act of the  
22 93rd General Assembly through June 30, 2004, the Board shall  
23 not submit vouchers for the remainder of fiscal year 2004 in  
24 excess of the fiscal year 2004 certified contribution amount  
25 determined under this Section after taking into consideration  
26 the transfer to the System under subsection (a) of Section

1 6z-61 of the State Finance Act. These vouchers shall be paid by  
2 the State Comptroller and Treasurer by warrants drawn on the  
3 funds appropriated to the System for that fiscal year.

4 If in any month the amount remaining unexpended from all  
5 other appropriations to the System for the applicable fiscal  
6 year (including the appropriations to the System under Section  
7 8.12 of the State Finance Act and Section 1 of the State  
8 Pension Funds Continuing Appropriation Act) is less than the  
9 amount lawfully vouchered under this subsection, the  
10 difference shall be paid from the Common School Fund under the  
11 continuing appropriation authority provided in Section 1.1 of  
12 the State Pension Funds Continuing Appropriation Act.

13 (b-2) Allocations from the Common School Fund apportioned  
14 to school districts not coming under this System shall not be  
15 diminished or affected by the provisions of this Article.

16 (b-3) For State fiscal years 2012 through 2045, the minimum  
17 contribution to the System to be made by the State for each  
18 fiscal year shall be an amount determined by the System to be  
19 sufficient to bring the total assets of the System up to 90% of  
20 the total actuarial liabilities of the System by the end of  
21 State fiscal year 2045. In making these determinations, the  
22 required State contribution shall be calculated each year as a  
23 level percentage of payroll over the years remaining to and  
24 including fiscal year 2045 and shall be determined under the  
25 projected unit credit actuarial cost method.

26 For State fiscal years 1996 through 2005, the State

1 contribution to the System, as a percentage of the applicable  
2 employee payroll, shall be increased in equal annual increments  
3 so that by State fiscal year 2011, the State is contributing at  
4 the rate required under this Section; except that in the  
5 following specified State fiscal years, the State contribution  
6 to the System shall not be less than the following indicated  
7 percentages of the applicable employee payroll, even if the  
8 indicated percentage will produce a State contribution in  
9 excess of the amount otherwise required under this subsection  
10 and subsection (a), and notwithstanding any contrary  
11 certification made under subsection (a-1) before the effective  
12 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%  
13 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
14 2003; and 13.56% in FY 2004.

15 Notwithstanding any other provision of this Article, the  
16 total required State contribution for State fiscal year 2006 is  
17 \$534,627,700.

18 Notwithstanding any other provision of this Article, the  
19 total required State contribution for State fiscal year 2007 is  
20 \$738,014,500.

21 For each of State fiscal years 2008 through 2009, the State  
22 contribution to the System, as a percentage of the applicable  
23 employee payroll, shall be increased in equal annual increments  
24 from the required State contribution for State fiscal year  
25 2007, so that by State fiscal year 2011, the State is  
26 contributing at the rate otherwise required under this Section.

1           Notwithstanding any other provision of this Article, the  
2 total required State contribution for State fiscal year 2010 is  
3 \$2,089,268,000 and shall be made from the proceeds of bonds  
4 sold in fiscal year 2010 pursuant to Section 7.2 of the General  
5 Obligation Bond Act, less (i) the pro rata share of bond sale  
6 expenses determined by the System's share of total bond  
7 proceeds, (ii) any amounts received from the Common School Fund  
8 in fiscal year 2010, and (iii) any reduction in bond proceeds  
9 due to the issuance of discounted bonds, if applicable.

10           Notwithstanding any other provision of this Article, the  
11 total required State contribution for State fiscal year 2011 is  
12 the amount recertified by the System on or before April 1, 2011  
13 pursuant to subsection (a-1) of this Section and shall be made  
14 from the proceeds of bonds sold in fiscal year 2011 pursuant to  
15 Section 7.2 of the General Obligation Bond Act, less (i) the  
16 pro rata share of bond sale expenses determined by the System's  
17 share of total bond proceeds, (ii) any amounts received from  
18 the Common School Fund in fiscal year 2011, and (iii) any  
19 reduction in bond proceeds due to the issuance of discounted  
20 bonds, if applicable. This amount shall include, in addition to  
21 the amount certified by the System, an amount necessary to meet  
22 employer contributions required by the State as an employer  
23 under paragraph (e) of this Section, which may also be used by  
24 the System for contributions required by paragraph (a) of  
25 Section 16-127.

26           Beginning in State fiscal year 2046, the minimum State

1 contribution for each fiscal year shall be the amount needed to  
2 maintain the total assets of the System at 90% of the total  
3 actuarial liabilities of the System.

4 Amounts received by the System pursuant to Section 35 of  
5 the Pension Stabilization Act, Section 25 of the Budget  
6 Stabilization Act (now repealed), or Section 8.12 of the State  
7 Finance Act in any fiscal year do not reduce and do not  
8 constitute payment of any portion of the minimum State  
9 contribution required under this Article in that fiscal year.  
10 Such amounts shall not reduce, and shall not be included in the  
11 calculation of, the required State contributions under this  
12 Article in any future year until the System has reached a  
13 funding ratio of at least 90%. A reference in this Article to  
14 the "required State contribution" or any substantially similar  
15 term does not include or apply to any amounts payable to the  
16 System under Section 35 of the Pension Stabilization Act or  
17 Section 25 of the Budget Stabilization Act.

18 Notwithstanding any other provision of this Section, the  
19 required State contribution for State fiscal year 2005 and for  
20 fiscal year 2008 and each fiscal year thereafter, as calculated  
21 under this Section and certified under subsection (a-1), shall  
22 not exceed an amount equal to (i) the amount of the required  
23 State contribution that would have been calculated under this  
24 Section for that fiscal year if the System had not received any  
25 payments under subsection (d) of Section 7.2 of the General  
26 Obligation Bond Act, minus (ii) the portion of the State's



1 total debt service payments for that fiscal year on the bonds  
2 issued in fiscal year 2003 for the purposes of that Section 7.2  
3 (including any bonds issued to refund those bonds), as  
4 determined and certified by the Comptroller, that is the same  
5 as the System's portion of the total moneys distributed under  
6 subsection (d) of Section 7.2 of the General Obligation Bond  
7 Act. In determining this maximum for State fiscal years 2008  
8 through 2010, however, the amount referred to in item (i) shall  
9 be increased, as a percentage of the applicable employee  
10 payroll, in equal increments calculated from the sum of the  
11 required State contribution for State fiscal year 2007 plus the  
12 applicable portion of the State's total debt service payments  
13 for fiscal year 2007 on the bonds issued in fiscal year 2003  
14 for the purposes of Section 7.2 of the General Obligation Bond  
15 Act, so that, by State fiscal year 2011, the State is  
16 contributing at the rate otherwise required under this Section.

17 (c) Payment of the required State contributions and of all  
18 pensions, retirement annuities, death benefits, refunds, and  
19 other benefits granted under or assumed by this System, and all  
20 expenses in connection with the administration and operation  
21 thereof, are obligations of the State.

22 If members are paid from special trust or federal funds  
23 which are administered by the employing unit, whether school  
24 district or other unit, the employing unit shall pay to the  
25 System from such funds the full accruing retirement costs based  
26 upon that service, as determined by the System. Employer

1 contributions, based on salary paid to members from federal  
2 funds, may be forwarded by the distributing agency of the State  
3 of Illinois to the System prior to allocation, in an amount  
4 determined in accordance with guidelines established by such  
5 agency and the System.

6 (d) Effective July 1, 1986, any employer of a teacher as  
7 defined in paragraph (8) of Section 16-106 shall pay the  
8 employer's normal cost of benefits based upon the teacher's  
9 service, in addition to employee contributions, as determined  
10 by the System. Such employer contributions shall be forwarded  
11 monthly in accordance with guidelines established by the  
12 System.

13 However, with respect to benefits granted under Section  
14 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
15 of Section 16-106, the employer's contribution shall be 12%  
16 (rather than 20%) of the member's highest annual salary rate  
17 for each year of creditable service granted, and the employer  
18 shall also pay the required employee contribution on behalf of  
19 the teacher. For the purposes of Sections 16-133.4 and  
20 16-133.5, a teacher as defined in paragraph (8) of Section  
21 16-106 who is serving in that capacity while on leave of  
22 absence from another employer under this Article shall not be  
23 considered an employee of the employer from which the teacher  
24 is on leave.

25 (e) Beginning July 1, 1998, every employer of a teacher  
26 shall pay to the System an employer contribution computed as

1 follows:

2 (1) Beginning July 1, 1998 through June 30, 1999, the  
3 employer contribution shall be equal to 0.3% of each  
4 teacher's salary.

5 (2) Beginning July 1, 1999 and thereafter, the employer  
6 contribution shall be equal to 0.58% of each teacher's  
7 salary.

8 The school district or other employing unit may pay these  
9 employer contributions out of any source of funding available  
10 for that purpose and shall forward the contributions to the  
11 System on the schedule established for the payment of member  
12 contributions.

13 These employer contributions are intended to offset a  
14 portion of the cost to the System of the increases in  
15 retirement benefits resulting from this amendatory Act of 1998.

16 Each employer of teachers is entitled to a credit against  
17 the contributions required under this subsection (e) with  
18 respect to salaries paid to teachers for the period January 1,  
19 2002 through June 30, 2003, equal to the amount paid by that  
20 employer under subsection (a-5) of Section 6.6 of the State  
21 Employees Group Insurance Act of 1971 with respect to salaries  
22 paid to teachers for that period.

23 The additional 1% employee contribution required under  
24 Section 16-152 by this amendatory Act of 1998 is the  
25 responsibility of the teacher and not the teacher's employer,  
26 unless the employer agrees, through collective bargaining or

1 otherwise, to make the contribution on behalf of the teacher.

2 If an employer is required by a contract in effect on May  
3 1, 1998 between the employer and an employee organization to  
4 pay, on behalf of all its full-time employees covered by this  
5 Article, all mandatory employee contributions required under  
6 this Article, then the employer shall be excused from paying  
7 the employer contribution required under this subsection (e)  
8 for the balance of the term of that contract. The employer and  
9 the employee organization shall jointly certify to the System  
10 the existence of the contractual requirement, in such form as  
11 the System may prescribe. This exclusion shall cease upon the  
12 termination, extension, or renewal of the contract at any time  
13 after May 1, 1998.

14 (f) If the amount of a teacher's salary for any school year  
15 used to determine final average salary exceeds the member's  
16 annual full-time salary rate with the same employer for the  
17 previous school year by more than 6%, the teacher's employer  
18 shall pay to the System, in addition to all other payments  
19 required under this Section and in accordance with guidelines  
20 established by the System, the present value of the increase in  
21 benefits resulting from the portion of the increase in salary  
22 that is in excess of 6%. This present value shall be computed  
23 by the System on the basis of the actuarial assumptions and  
24 tables used in the most recent actuarial valuation of the  
25 System that is available at the time of the computation. If a  
26 teacher's salary for the 2005-2006 school year is used to

1 determine final average salary under this subsection (f), then  
2 the changes made to this subsection (f) by Public Act 94-1057  
3 shall apply in calculating whether the increase in his or her  
4 salary is in excess of 6%. For the purposes of this Section,  
5 change in employment under Section 10-21.12 of the School Code  
6 on or after June 1, 2005 shall constitute a change in employer.  
7 The System may require the employer to provide any pertinent  
8 information or documentation. The changes made to this  
9 subsection (f) by this amendatory Act of the 94th General  
10 Assembly apply without regard to whether the teacher was in  
11 service on or after its effective date.

12 Whenever it determines that a payment is or may be required  
13 under this subsection, the System shall calculate the amount of  
14 the payment and bill the employer for that amount. The bill  
15 shall specify the calculations used to determine the amount  
16 due. If the employer disputes the amount of the bill, it may,  
17 within 30 days after receipt of the bill, apply to the System  
18 in writing for a recalculation. The application must specify in  
19 detail the grounds of the dispute and, if the employer asserts  
20 that the calculation is subject to subsection (g) or (h) of  
21 this Section, must include an affidavit setting forth and  
22 attesting to all facts within the employer's knowledge that are  
23 pertinent to the applicability of that subsection. Upon  
24 receiving a timely application for recalculation, the System  
25 shall review the application and, if appropriate, recalculate  
26 the amount due.

1           The employer contributions required under this subsection  
2           (f) may be paid in the form of a lump sum within 90 days after  
3           receipt of the bill. If the employer contributions are not paid  
4           within 90 days after receipt of the bill, then interest will be  
5           charged at a rate equal to the System's annual actuarially  
6           assumed rate of return on investment compounded annually from  
7           the 91st day after receipt of the bill. Payments must be  
8           concluded within 3 years after the employer's receipt of the  
9           bill.

10          (g) This subsection (g) applies only to payments made or  
11          salary increases given on or after June 1, 2005 but before July  
12          1, 2011. The changes made by Public Act 94-1057 shall not  
13          require the System to refund any payments received before July  
14          31, 2006 (the effective date of Public Act 94-1057).

15          When assessing payment for any amount due under subsection  
16          (f), the System shall exclude salary increases paid to teachers  
17          under contracts or collective bargaining agreements entered  
18          into, amended, or renewed before June 1, 2005.

19          When assessing payment for any amount due under subsection  
20          (f), the System shall exclude salary increases paid to a  
21          teacher at a time when the teacher is 10 or more years from  
22          retirement eligibility under Section 16-132 or 16-133.2.

23          When assessing payment for any amount due under subsection  
24          (f), the System shall exclude salary increases resulting from  
25          overload work, including summer school, when the school  
26          district has certified to the System, and the System has

1 approved the certification, that (i) the overload work is for  
2 the sole purpose of classroom instruction in excess of the  
3 standard number of classes for a full-time teacher in a school  
4 district during a school year and (ii) the salary increases are  
5 equal to or less than the rate of pay for classroom instruction  
6 computed on the teacher's current salary and work schedule.

7 When assessing payment for any amount due under subsection  
8 (f), the System shall exclude a salary increase resulting from  
9 a promotion (i) for which the employee is required to hold a  
10 certificate or supervisory endorsement issued by the State  
11 Teacher Certification Board that is a different certification  
12 or supervisory endorsement than is required for the teacher's  
13 previous position and (ii) to a position that has existed and  
14 been filled by a member for no less than one complete academic  
15 year and the salary increase from the promotion is an increase  
16 that results in an amount no greater than the lesser of the  
17 average salary paid for other similar positions in the district  
18 requiring the same certification or the amount stipulated in  
19 the collective bargaining agreement for a similar position  
20 requiring the same certification.

21 When assessing payment for any amount due under subsection  
22 (f), the System shall exclude any payment to the teacher from  
23 the State of Illinois or the State Board of Education over  
24 which the employer does not have discretion, notwithstanding  
25 that the payment is included in the computation of final  
26 average salary.

1           (h) When assessing payment for any amount due under  
2 subsection (f), the System shall exclude any salary increase  
3 described in subsection (g) of this Section given on or after  
4 July 1, 2011 but before July 1, 2014 under a contract or  
5 collective bargaining agreement entered into, amended, or  
6 renewed on or after June 1, 2005 but before July 1, 2011.  
7 Notwithstanding any other provision of this Section, any  
8 payments made or salary increases given after June 30, 2014  
9 shall be used in assessing payment for any amount due under  
10 subsection (f) of this Section.

11           (i) The System shall prepare a report and file copies of  
12 the report with the Governor and the General Assembly by  
13 January 1, 2007 that contains all of the following information:

14               (1) The number of recalculations required by the  
15 changes made to this Section by Public Act 94-1057 for each  
16 employer.

17               (2) The dollar amount by which each employer's  
18 contribution to the System was changed due to  
19 recalculations required by Public Act 94-1057.

20               (3) The total amount the System received from each  
21 employer as a result of the changes made to this Section by  
22 Public Act 94-4.

23               (4) The increase in the required State contribution  
24 resulting from the changes made to this Section by Public  
25 Act 94-1057.

26           (j) For purposes of determining the required State



1 contribution to the System, the value of the System's assets  
2 shall be equal to the actuarial value of the System's assets,  
3 which shall be calculated as follows:

4 As of June 30, 2008, the actuarial value of the System's  
5 assets shall be equal to the market value of the assets as of  
6 that date. In determining the actuarial value of the System's  
7 assets for fiscal years after June 30, 2008, any actuarial  
8 gains or losses from investment return incurred in a fiscal  
9 year shall be recognized in equal annual amounts over the  
10 5-year period following that fiscal year.

11 (k) For purposes of determining the required State  
12 contribution to the system for a particular year, the actuarial  
13 value of assets shall be assumed to earn a rate of return equal  
14 to the system's actuarially assumed rate of return.

15 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;  
16 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.  
17 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

18 (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

19 Sec. 18-131. Financing; employer contributions.

20 (a) The State of Illinois shall make contributions to this  
21 System by appropriations of the amounts which, together with  
22 the contributions of participants, net earnings on  
23 investments, and other income, will meet the costs of  
24 maintaining and administering this System on a 90% funded basis  
25 in accordance with actuarial recommendations.

1           (b) The Board shall determine the amount of State  
2 contributions required for each fiscal year on the basis of the  
3 actuarial tables and other assumptions adopted by the Board and  
4 the prescribed rate of interest, using the formula in  
5 subsection (c).

6           (c) For State fiscal years 2012 through 2045, the minimum  
7 contribution to the System to be made by the State for each  
8 fiscal year shall be an amount determined by the System to be  
9 sufficient to bring the total assets of the System up to 90% of  
10 the total actuarial liabilities of the System by the end of  
11 State fiscal year 2045. In making these determinations, the  
12 required State contribution shall be calculated each year as a  
13 level percentage of payroll over the years remaining to and  
14 including fiscal year 2045 and shall be determined under the  
15 projected unit credit actuarial cost method.

16           For State fiscal years 1996 through 2005, the State  
17 contribution to the System, as a percentage of the applicable  
18 employee payroll, shall be increased in equal annual increments  
19 so that by State fiscal year 2011, the State is contributing at  
20 the rate required under this Section.

21           Notwithstanding any other provision of this Article, the  
22 total required State contribution for State fiscal year 2006 is  
23 \$29,189,400.

24           Notwithstanding any other provision of this Article, the  
25 total required State contribution for State fiscal year 2007 is  
26 \$35,236,800.

1           For each of State fiscal years 2008 through 2009, the State  
2 contribution to the System, as a percentage of the applicable  
3 employee payroll, shall be increased in equal annual increments  
4 from the required State contribution for State fiscal year  
5 2007, so that by State fiscal year 2011, the State is  
6 contributing at the rate otherwise required under this Section.

7           Notwithstanding any other provision of this Article, the  
8 total required State contribution for State fiscal year 2010 is  
9 \$78,832,000 and shall be made from the proceeds of bonds sold  
10 in fiscal year 2010 pursuant to Section 7.2 of the General  
11 Obligation Bond Act, less (i) the pro rata share of bond sale  
12 expenses determined by the System's share of total bond  
13 proceeds, (ii) any amounts received from the General Revenue  
14 Fund in fiscal year 2010, and (iii) any reduction in bond  
15 proceeds due to the issuance of discounted bonds, if  
16 applicable.

17           Notwithstanding any other provision of this Article, the  
18 total required State contribution for State fiscal year 2011 is  
19 the amount recertified by the System on or before April 1, 2011  
20 pursuant to Section 18-140 and shall be made from the proceeds  
21 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of  
22 the General Obligation Bond Act, less (i) the pro rata share of  
23 bond sale expenses determined by the System's share of total  
24 bond proceeds, (ii) any amounts received from the General  
25 Revenue Fund in fiscal year 2011, and (iii) any reduction in  
26 bond proceeds due to the issuance of discounted bonds, if

1 applicable.

2 Beginning in State fiscal year 2046, the minimum State  
3 contribution for each fiscal year shall be the amount needed to  
4 maintain the total assets of the System at 90% of the total  
5 actuarial liabilities of the System.

6 Amounts received by the System pursuant to Section 35 of  
7 the Pension Stabilization Act, Section 25 of the Budget  
8 Stabilization Act (now repealed), or Section 8.12 of the State  
9 Finance Act in any fiscal year do not reduce and do not  
10 constitute payment of any portion of the minimum State  
11 contribution required under this Article in that fiscal year.  
12 Such amounts shall not reduce, and shall not be included in the  
13 calculation of, the required State contributions under this  
14 Article in any future year until the System has reached a  
15 funding ratio of at least 90%. A reference in this Article to  
16 the "required State contribution" or any substantially similar  
17 term does not include or apply to any amounts payable to the  
18 System under Section 35 of the Pension Stabilization Act or  
19 Section 25 of the Budget Stabilization Act.

20 Notwithstanding any other provision of this Section, the  
21 required State contribution for State fiscal year 2005 and for  
22 fiscal year 2008 and each fiscal year thereafter, as calculated  
23 under this Section and certified under Section 18-140, shall  
24 not exceed an amount equal to (i) the amount of the required  
25 State contribution that would have been calculated under this  
26 Section for that fiscal year if the System had not received any

1 payments under subsection (d) of Section 7.2 of the General  
2 Obligation Bond Act, minus (ii) the portion of the State's  
3 total debt service payments for that fiscal year on the bonds  
4 issued in fiscal year 2003 for the purposes of that Section 7.2  
5 (including any bonds issued to refund those bonds), as  
6 determined and certified by the Comptroller, that is the same  
7 as the System's portion of the total moneys distributed under  
8 subsection (d) of Section 7.2 of the General Obligation Bond  
9 Act. In determining this maximum for State fiscal years 2008  
10 through 2010, however, the amount referred to in item (i) shall  
11 be increased, as a percentage of the applicable employee  
12 payroll, in equal increments calculated from the sum of the  
13 required State contribution for State fiscal year 2007 plus the  
14 applicable portion of the State's total debt service payments  
15 for fiscal year 2007 on the bonds issued in fiscal year 2003  
16 for the purposes of Section 7.2 of the General Obligation Bond  
17 Act, so that, by State fiscal year 2011, the State is  
18 contributing at the rate otherwise required under this Section.

19 (d) For purposes of determining the required State  
20 contribution to the System, the value of the System's assets  
21 shall be equal to the actuarial value of the System's assets,  
22 which shall be calculated as follows:

23 As of June 30, 2008, the actuarial value of the System's  
24 assets shall be equal to the market value of the assets as of  
25 that date. In determining the actuarial value of the System's  
26 assets for fiscal years after June 30, 2008, any actuarial

1 gains or losses from investment return incurred in a fiscal  
2 year shall be recognized in equal annual amounts over the  
3 5-year period following that fiscal year.

4 (e) For purposes of determining the required State  
5 contribution to the system for a particular year, the actuarial  
6 value of assets shall be assumed to earn a rate of return equal  
7 to the system's actuarially assumed rate of return.

8 (Source: P.A. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09;  
9 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff.  
10 3-18-11; revised 4-6-11.)

11 Section 160. The State Pension Funds Continuing  
12 Appropriation Act is amended by changing Section 1.7 as  
13 follows:

14 (40 ILCS 15/1.7)

15 Sec. 1.7. Appropriations from the Pension Stabilization  
16 Fund.

17 (a) All of the moneys deposited from time to time into the  
18 Pension Stabilization Fund are hereby appropriated, on a  
19 continuing basis, to the State Comptroller for the purpose of  
20 making distributions to the designated retirement systems as  
21 provided in Section 35 of the Pension ~~25 of the Budget~~  
22 Stabilization Act.

23 (b) The appropriations made under this Section are in  
24 addition to, and do not affect, the amounts subject to

1 appropriation under any other Section of this Act.

2 (Source: P.A. 94-839, eff. 6-6-06.)

3 Section 165. The Illinois Horse Racing Act of 1975 is  
4 amended by changing Section 28.1 as follows:

5 (230 ILCS 5/28.1)

6 Sec. 28.1. Payments.

7 (a) Beginning on January 1, 2000, moneys collected by the  
8 Department of Revenue and the Racing Board pursuant to Section  
9 26 or Section 27 of this Act shall be deposited into the Horse  
10 Racing Fund, which is hereby created as a special fund in the  
11 State Treasury.

12 (b) Appropriations, as approved by the General Assembly,  
13 may be made from the Horse Racing Fund to the Board to pay the  
14 salaries of the Board members, secretary, stewards, directors  
15 of mutuels, veterinarians, representatives, accountants,  
16 clerks, stenographers, inspectors and other employees of the  
17 Board, and all expenses of the Board incident to the  
18 administration of this Act, including, but not limited to, all  
19 expenses and salaries incident to the taking of saliva and  
20 urine samples in accordance with the rules and regulations of  
21 the Board.

22 Transfers may be made from the Horse Racing Fund to the  
23 Pension Stabilization Fund as provided for in the Pension  
24 Stabilization Act.

1           (c) Beginning on January 1, 2000, the Board shall transfer  
2 the remainder of the funds generated pursuant to Sections 26  
3 and 27 from the Horse Racing Fund into the General Revenue  
4 Fund.

5           (d) Beginning January 1, 2000, payments to all programs in  
6 existence on the effective date of this amendatory Act of 1999  
7 that are identified in Sections 26(c), 26(f), 26(h)(11)(C), and  
8 28, subsections (a), (b), (c), (d), (e), (f), (g), and (h) of  
9 Section 30, and subsections (a), (b), (c), (d), (e), (f), (g),  
10 and (h) of Section 31 shall be made from the General Revenue  
11 Fund at the funding levels determined by amounts paid under  
12 this Act in calendar year 1998. Beginning on the effective date  
13 of this amendatory Act of the 93rd General Assembly, payments  
14 to the Peoria Park District shall be made from the General  
15 Revenue Fund at the funding level determined by amounts paid to  
16 that park district for museum purposes under this Act in  
17 calendar year 1994.

18           If an inter-track wagering location licensee's facility  
19 changes its location, then the payments associated with that  
20 facility under this subsection (d) for museum purposes shall be  
21 paid to the park district in the area where the facility  
22 relocates, and the payments shall be used for museum purposes.  
23 If the facility does not relocate to a park district, then the  
24 payments shall be paid to the taxing district that is  
25 responsible for park or museum expenditures.

26           (e) Beginning July 1, 2006, the payment authorized under



1 subsection (d) to museums and aquariums located in park  
2 districts of over 500,000 population shall be paid to museums,  
3 aquariums, and zoos in amounts determined by Museums in the  
4 Park, an association of museums, aquariums, and zoos located on  
5 Chicago Park District property.

6 (f) Beginning July 1, 2007, the Children's Discovery Museum  
7 in Normal, Illinois shall receive payments from the General  
8 Revenue Fund at the funding level determined by the amounts  
9 paid to the Miller Park Zoo in Bloomington, Illinois under this  
10 Section in calendar year 2006.

11 (Source: P.A. 95-222, eff. 8-16-07; 96-562, eff. 8-18-09.)

12 Section 170. The Riverboat Gambling Act is amended by  
13 changing Section 13 as follows:

14 (230 ILCS 10/13) (from Ch. 120, par. 2413)

15 Sec. 13. Wagering tax; rate; distribution.

16 (a) Until January 1, 1998, a tax is imposed on the adjusted  
17 gross receipts received from gambling games authorized under  
18 this Act at the rate of 20%.

19 (a-1) From January 1, 1998 until July 1, 2002, a privilege  
20 tax is imposed on persons engaged in the business of conducting  
21 riverboat gambling operations, based on the adjusted gross  
22 receipts received by a licensed owner from gambling games  
23 authorized under this Act at the following rates:

24 15% of annual adjusted gross receipts up to and

1 including \$25,000,000;

2 20% of annual adjusted gross receipts in excess of  
3 \$25,000,000 but not exceeding \$50,000,000;

4 25% of annual adjusted gross receipts in excess of  
5 \$50,000,000 but not exceeding \$75,000,000;

6 30% of annual adjusted gross receipts in excess of  
7 \$75,000,000 but not exceeding \$100,000,000;

8 35% of annual adjusted gross receipts in excess of  
9 \$100,000,000.

10 (a-2) From July 1, 2002 until July 1, 2003, a privilege tax  
11 is imposed on persons engaged in the business of conducting  
12 riverboat gambling operations, other than licensed managers  
13 conducting riverboat gambling operations on behalf of the  
14 State, based on the adjusted gross receipts received by a  
15 licensed owner from gambling games authorized under this Act at  
16 the following rates:

17 15% of annual adjusted gross receipts up to and  
18 including \$25,000,000;

19 22.5% of annual adjusted gross receipts in excess of  
20 \$25,000,000 but not exceeding \$50,000,000;

21 27.5% of annual adjusted gross receipts in excess of  
22 \$50,000,000 but not exceeding \$75,000,000;

23 32.5% of annual adjusted gross receipts in excess of  
24 \$75,000,000 but not exceeding \$100,000,000;

25 37.5% of annual adjusted gross receipts in excess of  
26 \$100,000,000 but not exceeding \$150,000,000;

1           45% of annual adjusted gross receipts in excess of  
2           \$150,000,000 but not exceeding \$200,000,000;

3           50% of annual adjusted gross receipts in excess of  
4           \$200,000,000.

5           (a-3) Beginning July 1, 2003, a privilege tax is imposed on  
6 persons engaged in the business of conducting riverboat  
7 gambling operations, other than licensed managers conducting  
8 riverboat gambling operations on behalf of the State, based on  
9 the adjusted gross receipts received by a licensed owner from  
10 gambling games authorized under this Act at the following  
11 rates:

12           15% of annual adjusted gross receipts up to and  
13 including \$25,000,000;

14           27.5% of annual adjusted gross receipts in excess of  
15 \$25,000,000 but not exceeding \$37,500,000;

16           32.5% of annual adjusted gross receipts in excess of  
17 \$37,500,000 but not exceeding \$50,000,000;

18           37.5% of annual adjusted gross receipts in excess of  
19 \$50,000,000 but not exceeding \$75,000,000;

20           45% of annual adjusted gross receipts in excess of  
21 \$75,000,000 but not exceeding \$100,000,000;

22           50% of annual adjusted gross receipts in excess of  
23 \$100,000,000 but not exceeding \$250,000,000;

24           70% of annual adjusted gross receipts in excess of  
25 \$250,000,000.

26           An amount equal to the amount of wagering taxes collected

1 under this subsection (a-3) that are in addition to the amount  
2 of wagering taxes that would have been collected if the  
3 wagering tax rates under subsection (a-2) were in effect shall  
4 be paid into the Common School Fund.

5 The privilege tax imposed under this subsection (a-3) shall  
6 no longer be imposed beginning on the earlier of (i) July 1,  
7 2005; (ii) the first date after June 20, 2003 that riverboat  
8 gambling operations are conducted pursuant to a dormant  
9 license; or (iii) the first day that riverboat gambling  
10 operations are conducted under the authority of an owners  
11 license that is in addition to the 10 owners licenses initially  
12 authorized under this Act. For the purposes of this subsection  
13 (a-3), the term "dormant license" means an owners license that  
14 is authorized by this Act under which no riverboat gambling  
15 operations are being conducted on June 20, 2003.

16 (a-4) Beginning on the first day on which the tax imposed  
17 under subsection (a-3) is no longer imposed, a privilege tax is  
18 imposed on persons engaged in the business of conducting  
19 riverboat gambling operations, other than licensed managers  
20 conducting riverboat gambling operations on behalf of the  
21 State, based on the adjusted gross receipts received by a  
22 licensed owner from gambling games authorized under this Act at  
23 the following rates:

24 15% of annual adjusted gross receipts up to and  
25 including \$25,000,000;

26 22.5% of annual adjusted gross receipts in excess of

1           \$25,000,000 but not exceeding \$50,000,000;  
2           27.5% of annual adjusted gross receipts in excess of  
3           \$50,000,000 but not exceeding \$75,000,000;  
4           32.5% of annual adjusted gross receipts in excess of  
5           \$75,000,000 but not exceeding \$100,000,000;  
6           37.5% of annual adjusted gross receipts in excess of  
7           \$100,000,000 but not exceeding \$150,000,000;  
8           45% of annual adjusted gross receipts in excess of  
9           \$150,000,000 but not exceeding \$200,000,000;  
10          50% of annual adjusted gross receipts in excess of  
11          \$200,000,000.

12          (a-8) Riverboat gambling operations conducted by a  
13 licensed manager on behalf of the State are not subject to the  
14 tax imposed under this Section.

15          (a-10) The taxes imposed by this Section shall be paid by  
16 the licensed owner to the Board not later than 5:00 o'clock  
17 p.m. of the day after the day when the wagers were made.

18          (a-15) If the privilege tax imposed under subsection (a-3)  
19 is no longer imposed pursuant to item (i) of the last paragraph  
20 of subsection (a-3), then by June 15 of each year, each owners  
21 licensee, other than an owners licensee that admitted 1,000,000  
22 persons or fewer in calendar year 2004, must, in addition to  
23 the payment of all amounts otherwise due under this Section,  
24 pay to the Board a reconciliation payment in the amount, if  
25 any, by which the licensed owner's base amount exceeds the  
26 amount of net privilege tax paid by the licensed owner to the

1 Board in the then current State fiscal year. A licensed owner's  
2 net privilege tax obligation due for the balance of the State  
3 fiscal year shall be reduced up to the total of the amount paid  
4 by the licensed owner in its June 15 reconciliation payment.  
5 The obligation imposed by this subsection (a-15) is binding on  
6 any person, firm, corporation, or other entity that acquires an  
7 ownership interest in any such owners license. The obligation  
8 imposed under this subsection (a-15) terminates on the earliest  
9 of: (i) July 1, 2007, (ii) the first day after the effective  
10 date of this amendatory Act of the 94th General Assembly that  
11 riverboat gambling operations are conducted pursuant to a  
12 dormant license, (iii) the first day that riverboat gambling  
13 operations are conducted under the authority of an owners  
14 license that is in addition to the 10 owners licenses initially  
15 authorized under this Act, or (iv) the first day that a  
16 licensee under the Illinois Horse Racing Act of 1975 conducts  
17 gaming operations with slot machines or other electronic gaming  
18 devices. The Board must reduce the obligation imposed under  
19 this subsection (a-15) by an amount the Board deems reasonable  
20 for any of the following reasons: (A) an act or acts of God,  
21 (B) an act of bioterrorism or terrorism or a bioterrorism or  
22 terrorism threat that was investigated by a law enforcement  
23 agency, or (C) a condition beyond the control of the owners  
24 licensee that does not result from any act or omission by the  
25 owners licensee or any of its agents and that poses a hazardous  
26 threat to the health and safety of patrons. If an owners

1 licensee pays an amount in excess of its liability under this  
2 Section, the Board shall apply the overpayment to future  
3 payments required under this Section.

4 For purposes of this subsection (a-15):

5 "Act of God" means an incident caused by the operation of  
6 an extraordinary force that cannot be foreseen, that cannot be  
7 avoided by the exercise of due care, and for which no person  
8 can be held liable.

9 "Base amount" means the following:

10 For a riverboat in Alton, \$31,000,000.

11 For a riverboat in East Peoria, \$43,000,000.

12 For the Empress riverboat in Joliet, \$86,000,000.

13 For a riverboat in Metropolis, \$45,000,000.

14 For the Harrah's riverboat in Joliet, \$114,000,000.

15 For a riverboat in Aurora, \$86,000,000.

16 For a riverboat in East St. Louis, \$48,500,000.

17 For a riverboat in Elgin, \$198,000,000.

18 "Dormant license" has the meaning ascribed to it in  
19 subsection (a-3).

20 "Net privilege tax" means all privilege taxes paid by a  
21 licensed owner to the Board under this Section, less all  
22 payments made from the State Gaming Fund pursuant to subsection  
23 (b) of this Section.

24 The changes made to this subsection (a-15) by Public Act  
25 94-839 are intended to restate and clarify the intent of Public  
26 Act 94-673 with respect to the amount of the payments required

1 to be made under this subsection by an owners licensee to the  
2 Board.

3 (b) Until January 1, 1998, 25% of the tax revenue deposited  
4 in the State Gaming Fund under this Section shall be paid,  
5 subject to appropriation by the General Assembly, to the unit  
6 of local government which is designated as the home dock of the  
7 riverboat. Beginning January 1, 1998, from the tax revenue  
8 deposited in the State Gaming Fund under this Section, an  
9 amount equal to 5% of adjusted gross receipts generated by a  
10 riverboat shall be paid monthly, subject to appropriation by  
11 the General Assembly, to the unit of local government that is  
12 designated as the home dock of the riverboat. From the tax  
13 revenue deposited in the State Gaming Fund pursuant to  
14 riverboat gambling operations conducted by a licensed manager  
15 on behalf of the State, an amount equal to 5% of adjusted gross  
16 receipts generated pursuant to those riverboat gambling  
17 operations shall be paid monthly, subject to appropriation by  
18 the General Assembly, to the unit of local government that is  
19 designated as the home dock of the riverboat upon which those  
20 riverboat gambling operations are conducted.

21 (c) Appropriations, as approved by the General Assembly,  
22 may be made from the State Gaming Fund to the Board (i) for the  
23 administration and enforcement of this Act and the Video Gaming  
24 Act, (ii) for distribution to the Department of State Police  
25 and to the Department of Revenue for the enforcement of this  
26 Act, and (iii) to the Department of Human Services for the



1 administration of programs to treat problem gambling.

2 Transfers shall be made from the State Gaming Fund to the  
3 Pension Stabilization Fund as provided for in the Pension  
4 Stabilization Act.

5 (c-5) Before May 26, 2006 (the effective date of Public Act  
6 94-804) and beginning on the effective date of this amendatory  
7 Act of the 95th General Assembly, unless any organization  
8 licensee under the Illinois Horse Racing Act of 1975 begins to  
9 operate a slot machine or video game of chance under the  
10 Illinois Horse Racing Act of 1975 or this Act, after the  
11 payments required under subsections (b) and (c) have been made,  
12 an amount equal to 15% of the adjusted gross receipts of (1) an  
13 owners licensee that relocates pursuant to Section 11.2, (2) an  
14 owners licensee conducting riverboat gambling operations  
15 pursuant to an owners license that is initially issued after  
16 June 25, 1999, or (3) the first riverboat gambling operations  
17 conducted by a licensed manager on behalf of the State under  
18 Section 7.3, whichever comes first, shall be paid from the  
19 State Gaming Fund into the Horse Racing Equity Fund.

20 (c-10) Each year the General Assembly shall appropriate  
21 from the General Revenue Fund to the Education Assistance Fund  
22 an amount equal to the amount paid into the Horse Racing Equity  
23 Fund pursuant to subsection (c-5) in the prior calendar year.

24 (c-15) After the payments required under subsections (b),  
25 (c), and (c-5) have been made, an amount equal to 2% of the  
26 adjusted gross receipts of (1) an owners licensee that

1 relocates pursuant to Section 11.2, (2) an owners licensee  
2 conducting riverboat gambling operations pursuant to an owners  
3 license that is initially issued after June 25, 1999, or (3)  
4 the first riverboat gambling operations conducted by a licensed  
5 manager on behalf of the State under Section 7.3, whichever  
6 comes first, shall be paid, subject to appropriation from the  
7 General Assembly, from the State Gaming Fund to each home rule  
8 county with a population of over 3,000,000 inhabitants for the  
9 purpose of enhancing the county's criminal justice system.

10 (c-20) Each year the General Assembly shall appropriate  
11 from the General Revenue Fund to the Education Assistance Fund  
12 an amount equal to the amount paid to each home rule county  
13 with a population of over 3,000,000 inhabitants pursuant to  
14 subsection (c-15) in the prior calendar year.

15 (c-25) After the payments required under subsections (b),  
16 (c), (c-5) and (c-15) have been made, an amount equal to 2% of  
17 the adjusted gross receipts of (1) an owners licensee that  
18 relocates pursuant to Section 11.2, (2) an owners licensee  
19 conducting riverboat gambling operations pursuant to an owners  
20 license that is initially issued after June 25, 1999, or (3)  
21 the first riverboat gambling operations conducted by a licensed  
22 manager on behalf of the State under Section 7.3, whichever  
23 comes first, shall be paid from the State Gaming Fund to  
24 Chicago State University.

25 (d) From time to time, the Board shall transfer the  
26 remainder of the funds generated by this Act into the Education

1 Assistance Fund, created by Public Act 86-0018, of the State of  
2 Illinois.

3 (e) Nothing in this Act shall prohibit the unit of local  
4 government designated as the home dock of the riverboat from  
5 entering into agreements with other units of local government  
6 in this State or in other states to share its portion of the  
7 tax revenue.

8 (f) To the extent practicable, the Board shall administer  
9 and collect the wagering taxes imposed by this Section in a  
10 manner consistent with the provisions of Sections 4, 5, 5a, 5b,  
11 5c, 5d, 5e, 5f, 5g, 5i, 5j, 6, 6a, 6b, 6c, 8, 9, and 10 of the  
12 Retailers' Occupation Tax Act and Section 3-7 of the Uniform  
13 Penalty and Interest Act.

14 (Source: P.A. 95-331, eff. 8-21-07; 95-1008, eff. 12-15-08;  
15 96-37, eff. 7-13-09; 96-1392, eff. 1-1-11.)

16 Section 175. The Video Gaming Act is amended by changing  
17 Section 60 as follows:

18 (230 ILCS 40/60)

19 Sec. 60. Imposition and distribution of tax.

20 (a) A tax of 30% is imposed on net terminal income and  
21 shall be collected by the Board.

22 (b) Of the tax collected under this Section, five-sixths  
23 shall be deposited into the Capital Projects Fund and one-sixth  
24 shall be deposited into the Local Government Video Gaming

1 Distributive Fund. The money so deposited is subject to the  
2 transfers provided for in the Pension Stabilization Act.

3 (c) Revenues generated from the play of video gaming  
4 terminals shall be deposited by the terminal operator, who is  
5 responsible for tax payments, in a specially created, separate  
6 bank account maintained by the video gaming terminal operator  
7 to allow for electronic fund transfers of moneys for tax  
8 payment.

9 (d) Each licensed establishment, licensed truck stop  
10 establishment, licensed fraternal establishment, and licensed  
11 veterans establishment shall maintain an adequate video gaming  
12 fund, with the amount to be determined by the Board.

13 (e) The State's percentage of net terminal income shall be  
14 reported and remitted to the Board within 15 days after the  
15 15th day of each month and within 15 days after the end of each  
16 month by the video terminal operator. A video terminal operator  
17 who falsely reports or fails to report the amount due required  
18 by this Section is guilty of a Class 4 felony and is subject to  
19 termination of his or her license by the Board. Each video  
20 terminal operator shall keep a record of net terminal income in  
21 such form as the Board may require. All payments not remitted  
22 when due shall be paid together with a penalty assessment on  
23 the unpaid balance at a rate of 1.5% per month.

24 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09.)

25 Section 995. No acceleration or delay. Where this Act makes

1 changes in a statute that is represented in this Act by text  
2 that is not yet or no longer in effect (for example, a Section  
3 represented by multiple versions), the use of that text does  
4 not accelerate or delay the taking effect of (i) the changes  
5 made by this Act or (ii) provisions derived from any other  
6 Public Act.

7 Section 999. Effective date. This Act takes effect upon  
8 becoming law.

1 INDEX  
2 Statutes amended in order of appearance

3 New Act

4 30 ILCS 122/20 rep.

5 30 ILCS 122/25 rep.

6 30 ILCS 330/7.2

7 35 ILCS 5/201 from Ch. 120, par. 2-201

8 35 ILCS 5/203 from Ch. 120, par. 2-203

9 40 ILCS 5/2-124 from Ch. 108 1/2, par. 2-124

10 40 ILCS 5/14-131

11 40 ILCS 5/15-155 from Ch. 108 1/2, par. 15-155

12 40 ILCS 5/16-158 from Ch. 108 1/2, par. 16-158

13 40 ILCS 5/18-131 from Ch. 108 1/2, par. 18-131

14 40 ILCS 15/1.7

15 230 ILCS 5/28.1

16 230 ILCS 10/13 from Ch. 120, par. 2413

17 230 ILCS 40/60