



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB3130

by Rep. Mary E. Flowers

SYNOPSIS AS INTRODUCED:

See Index

Amends the Budget Stabilization Act. Provides for the transfer of \$1 billion from the General Revenue Fund to the Pension Stabilization Fund in 2020 and each fiscal year thereafter. Provides for the termination of those transfers in State fiscal year 2057 or when each of the designated retirement systems has achieved the funding ratio prescribed by law for that retirement system, whichever occurs first. Specifies that the transferred amounts do not reduce and do not constitute payment of any portion of the required State contribution. Amends the Illinois Income Tax Act. Includes annual retirement income above \$125,000 in the calculation of adjusted gross income. Amends the General Assembly, State Employee, State Universities, Downstate Teacher, and Judges Articles of the Illinois Pension Code. Provides a new funding formula, designed to bring the total assets of the System up to 80% of the total actuarial liabilities of the System by the end of State fiscal year 2057. Contains a funding guarantee that obligates the State to make certain contributions. Provides for the recalculation of the required State contribution to each of the Systems for State fiscal year 2014. Effective immediately.

LRB098 10944 EFG 41519 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Budget Stabilization Act is amended by
5 changing Sections 20 and 25 as follows:

6 (30 ILCS 122/20)

7 Sec. 20. Pension Stabilization Fund.

8 (a) The Pension Stabilization Fund is hereby created as a
9 special fund in the State treasury. Moneys in the fund shall be
10 used for the sole purpose of making payments to the designated
11 retirement systems as provided in Section 25.

12 (b) For each fiscal year when the General Assembly's
13 appropriations and transfers or diversions as required by law
14 from general funds do not exceed 99% of the estimated general
15 funds revenues pursuant to subsection (a) of Section 10, the
16 Comptroller shall transfer from the General Revenue Fund as
17 provided by this Section a total amount equal to 0.5% of the
18 estimated general funds revenues to the Pension Stabilization
19 Fund.

20 (c) For each fiscal year through State fiscal year 2013,
21 when the General Assembly's appropriations and transfers or
22 diversions as required by law from general funds do not exceed
23 98% of the estimated general funds revenues pursuant to

1 subsection (b) of Section 10, the Comptroller shall transfer
2 from the General Revenue Fund as provided by this Section a
3 total amount equal to 1.0% of the estimated general funds
4 revenues to the Pension Stabilization Fund.

5 (c-10) In State fiscal year 2020 and each fiscal year
6 thereafter, the State Comptroller shall order transferred and
7 the State Treasurer shall transfer \$1,000,000,000 from the
8 General Revenue Fund to the Pension Stabilization Fund.

9 (c-15) The transfers made pursuant to subsection (c-10) of
10 this Section shall continue through State fiscal year 2057 or
11 until each of the designated retirement systems, as defined in
12 Section 25, has achieved the funding ratio prescribed by law
13 for that retirement system, whichever occurs first.

14 (d) The Comptroller shall transfer 1/12 of the total amount
15 to be transferred each fiscal year under this Section into the
16 Pension Stabilization Fund on the first day of each month of
17 that fiscal year or as soon thereafter as possible; except that
18 the final transfer of the fiscal year shall be made as soon as
19 practical after the August 31 following the end of the fiscal
20 year.

21 Until State fiscal year 2014, before ~~Before~~ the final
22 transfer for a fiscal year is made, the Comptroller shall
23 reconcile the estimated general funds revenues used in
24 calculating the other transfers under this Section for that
25 fiscal year with the actual general funds revenues for that
26 fiscal year. The final transfer for the fiscal year shall be

1 adjusted so that the total amount transferred under this
2 Section for that fiscal year is equal to the percentage
3 specified in subsection (b) or (c) of this Section, whichever
4 is applicable, of the actual general funds revenues for that
5 fiscal year. The actual general funds revenues for the fiscal
6 year shall be calculated in a manner consistent with subsection
7 (c) of Section 10 of this Act.

8 (Source: P.A. 94-839, eff. 6-6-06.)

9 (30 ILCS 122/25)

10 Sec. 25. Transfers from the Pension Stabilization Fund.

11 (a) As used in this Section, "designated retirement
12 systems" means:

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

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

17 (3) the State Universities Retirement System;

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

19 (5) the General Assembly Retirement System.

20 (b) As soon as may be practical after any money is
21 deposited into the Pension Stabilization Fund, the State
22 Comptroller shall apportion the deposited amount among the
23 designated retirement systems and the State Comptroller and
24 State Treasurer shall pay the apportioned amounts to the
25 designated retirement systems. The amount deposited shall be

1 apportioned among the designated retirement systems in the same
2 proportion as their respective portions of the total actuarial
3 reserve deficiency of the designated retirement systems, as
4 most recently determined by the Governor's Office of Management
5 and Budget. Amounts received by a designated retirement system
6 under this Section shall be used for funding the unfunded
7 liabilities of the retirement system. Payments under this
8 Section are authorized by the continuing appropriation under
9 Section 1.7 of the State Pension Funds Continuing Appropriation
10 Act.

11 (c) At the request of the State Comptroller, the Governor's
12 Office of Management and Budget shall determine the individual
13 and total actuarial reserve deficiencies of the designated
14 retirement systems. For this purpose, the Governor's Office of
15 Management and Budget shall consider the latest available audit
16 and actuarial reports of each of the retirement systems and the
17 relevant reports and statistics of the Public Pension Division
18 of the Department of Financial and Professional Regulation.

19 (d) Payments to the designated retirement systems under
20 this Section shall be in addition to, and not in lieu of, any
21 State contributions required under Section 2-124, 14-131,
22 15-155, 16-158, or 18-131 of the Illinois Pension Code.

23 Payments to the designated retirement systems under this
24 Section, transferred after the effective date of this
25 amendatory Act of the 98th General Assembly, do not reduce and
26 do not constitute payment of any portion of the required State

1 contribution under Article 2, 14, 15, 16, or 18 of the Illinois
2 Pension Code in that fiscal year. Such amounts shall not
3 reduce, and shall not be included in the calculation of, the
4 required State Contribution under Article 2, 14, 15, 16, or 18
5 of the Illinois Pension Code in any future year, until the
6 designated retirement system has received payment of
7 contributions pursuant to this Act.

8 (Source: P.A. 94-839, eff. 6-6-06.)

9 Section 10. The Illinois Income Tax Act is amended by
10 changing Section 203 as follows:

11 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

12 Sec. 203. Base income defined.

13 (a) Individuals.

14 (1) In general. In the case of an individual, base
15 income means an amount equal to the taxpayer's adjusted
16 gross income for the taxable year as modified by paragraph
17 (2).

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

21 (A) An amount equal to all amounts paid or accrued
22 to the taxpayer as interest or dividends during the
23 taxable year to the extent excluded from gross income
24 in the computation of adjusted gross income, except

1 stock dividends of qualified public utilities
2 described in Section 305(e) of the Internal Revenue
3 Code;

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

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

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

24 (D-5) An amount, to the extent not included in
25 adjusted gross income, equal to the amount of money
26 withdrawn by the taxpayer in the taxable year from a

1 medical care savings account and the interest earned on
2 the account in the taxable year of a withdrawal
3 pursuant to subsection (b) of Section 20 of the Medical
4 Care Savings Account Act or subsection (b) of Section
5 20 of the Medical Care Savings Account Act of 2000;

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

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

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

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

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

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

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

1 taxpayer's unitary business group (including amounts
2 included in gross income under Sections 951 through 964
3 of the Internal Revenue Code and amounts included in
4 gross income under Section 78 of the Internal Revenue
5 Code) with respect to the stock of the same person to
6 whom the interest was paid, accrued, or incurred.

7 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

25 (D-18) An amount equal to the amount of intangible
26 expenses and costs otherwise allowed as a deduction in

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

1 apply to the extent that the same dividends caused a
2 reduction to the addition modification required under
3 Section 203(a)(2)(D-17) of this Act. As used in this
4 subparagraph, the term "intangible expenses and costs"
5 includes (1) expenses, losses, and costs for, or
6 related to, the direct or indirect acquisition, use,
7 maintenance or management, ownership, sale, exchange,
8 or any other disposition of intangible property; (2)
9 losses incurred, directly or indirectly, from
10 factoring transactions or discounting transactions;
11 (3) royalty, patent, technical, and copyright fees;
12 (4) licensing fees; and (5) other similar expenses and
13 costs. For purposes of this subparagraph, "intangible
14 property" includes patents, patent applications, trade
15 names, trademarks, service marks, copyrights, mask
16 works, trade secrets, and similar types of intangible
17 assets.

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

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

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

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

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

24 Nothing in this subsection shall preclude the
25 Director from making any other adjustment
26 otherwise allowed under Section 404 of this Act for

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

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

1 of the same person to whom the premiums and costs were
2 directly or indirectly paid, incurred, or accrued. The
3 preceding sentence does not apply to the extent that
4 the same dividends caused a reduction to the addition
5 modification required under Section 203(a)(2)(D-17) or
6 Section 203(a)(2)(D-18) of this Act.

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

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

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

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

1 amount of moneys previously deducted from base income
2 under subsection (a) (2) (Y) of this Section;

3 (D-22) For taxable years beginning on or after
4 January 1, 2009, in the case of a nonqualified
5 withdrawal or refund of moneys from a qualified tuition
6 program under Section 529 of the Internal Revenue Code
7 administered by the State that is not used for
8 qualified expenses at an eligible education
9 institution, an amount equal to the contribution
10 component of the nonqualified withdrawal or refund
11 that was previously deducted from base income under
12 subsection (a) (2) (y) of this Section, provided that
13 the withdrawal or refund did not result from the
14 beneficiary's death or disability;

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

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

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

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

26 (F) For taxable years ending on or before December

1 31, 2013, an ~~An~~ amount equal to all amounts included in
2 such total pursuant to the provisions of Sections
3 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
4 408 of the Internal Revenue Code, or included in such
5 total as distributions under the provisions of any
6 retirement or disability plan for employees of any
7 governmental agency or unit, or retirement payments to
8 retired partners, which payments are excluded in
9 computing net earnings from self employment by Section
10 1402 of the Internal Revenue Code and regulations
11 adopted pursuant thereto;

12 (F-1) For taxable years ending after December 31,
13 2013, an amount equal to all amounts included in such
14 total pursuant to the provisions of Sections 402(a),
15 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
16 Internal Revenue Code, or included in such total as
17 distributions under the provisions of any retirement
18 or disability plan for employees of any governmental
19 agency or unit, or retirement payments to retired
20 partners, which payments are excluded in computing net
21 earnings from self employment by Section 1402 of the
22 Internal Revenue Code and regulations adopted pursuant
23 thereto, but only to the extent that the total of those
24 amounts under this item (F-1) is \$125,000 or less; in
25 the case of married couples filing jointly, each
26 individual spouse is entitled to a total deduction of

1 \$125,000 under this item (F-1); this item (F-1) is
2 exempt from the provisions of Section 250;

3 (G) The valuation limitation amount;

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

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

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

20 (K) An amount equal to those dividends included in
21 such total that were paid by a corporation that
22 conducts business operations in a federally designated
23 Foreign Trade Zone or Sub-Zone and that is designated a
24 High Impact Business located in Illinois; provided
25 that dividends eligible for the deduction provided in
26 subparagraph (J) of paragraph (2) of this subsection

1 shall not be eligible for the deduction provided under
2 this subparagraph (K);

3 (L) For taxable years ending after December 31,
4 1983, an amount equal to all social security benefits
5 and railroad retirement benefits included in such
6 total pursuant to Sections 72(r) and 86 of the Internal
7 Revenue Code;

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

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

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

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

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

25 (S) An amount, to the extent included in adjusted
26 gross income, equal to the amount of a contribution

1 made in the taxable year on behalf of the taxpayer to a
2 medical care savings account established under the
3 Medical Care Savings Account Act or the Medical Care
4 Savings Account Act of 2000 to the extent the
5 contribution is accepted by the account administrator
6 as provided in that Act;

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

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

20 (V) Beginning with tax years ending on or after
21 December 31, 1995 and ending with tax years ending on
22 or before December 31, 2004, an amount equal to the
23 amount paid by a taxpayer who is a self-employed
24 taxpayer, a partner of a partnership, or a shareholder
25 in a Subchapter S corporation for health insurance or
26 long-term care insurance for that taxpayer or that

1 taxpayer's spouse or dependents, to the extent that the
2 amount paid for that health insurance or long-term care
3 insurance may be deducted under Section 213 of the
4 Internal Revenue Code, has not been deducted on the
5 federal income tax return of the taxpayer, and does not
6 exceed the taxable income attributable to that
7 taxpayer's income, self-employment income, or
8 Subchapter S corporation income; except that no
9 deduction shall be allowed under this item (V) if the
10 taxpayer is eligible to participate in any health
11 insurance or long-term care insurance plan of an
12 employer of the taxpayer or the taxpayer's spouse. The
13 amount of the health insurance and long-term care
14 insurance subtracted under this item (V) shall be
15 determined by multiplying total health insurance and
16 long-term care insurance premiums paid by the taxpayer
17 times a number that represents the fractional
18 percentage of eligible medical expenses under Section
19 213 of the Internal Revenue Code of 1986 not actually
20 deducted on the taxpayer's federal income tax return;

21 (W) For taxable years beginning on or after January
22 1, 1998, all amounts included in the taxpayer's federal
23 gross income in the taxable year from amounts converted
24 from a regular IRA to a Roth IRA. This paragraph is
25 exempt from the provisions of Section 250;

26 (X) For taxable year 1999 and thereafter, an amount

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

1 victim. The amount of and the eligibility for any
2 public assistance, benefit, or similar entitlement is
3 not affected by the inclusion of items (i) and (ii) of
4 this paragraph in gross income for federal income tax
5 purposes. This paragraph is exempt from the provisions
6 of Section 250;

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

1 from the provisions of Section 250;

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

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

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

19 (3) for taxable years ending after December
20 31, 2005:

21 (i) for property on which a bonus
22 depreciation deduction of 30% of the adjusted
23 basis was taken, "x" equals "y" multiplied by
24 30 and then divided by 70 (or "y" multiplied by
25 0.429); and

26 (ii) for property on which a bonus

1 depreciation deduction of 50% of the adjusted
2 basis was taken, "x" equals "y" multiplied by
3 1.0.

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

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

17 If the taxpayer continues to own property through
18 the last day of the last tax year for which the
19 taxpayer may claim a depreciation deduction for
20 federal income tax purposes and for which the taxpayer
21 was required in any taxable year to make an addition
22 modification under subparagraph (D-15), then an amount
23 equal to that addition modification.

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

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

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

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

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

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

17 (EE) An amount equal to the income from intangible
18 property taken into account for the taxable year (net
19 of the deductions allocable thereto) with respect to
20 transactions with (i) a foreign person who would be a
21 member of the taxpayer's unitary business group but for
22 the fact that the foreign person's business activity
23 outside the United States is 80% or more of that
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, but not to exceed the
6 addition modification required to be made for the same
7 taxable year under Section 203(a)(2)(D-18) for
8 intangible expenses and costs paid, accrued, or
9 incurred, directly or indirectly, to the same foreign
10 person. This subparagraph (EE) is exempt from the
11 provisions of Section 250;

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

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

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

7 (b) Corporations.

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

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

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

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

22 (C) In the case of a regulated investment company,
23 an amount equal to the excess of (i) the net long-term
24 capital gain for the taxable year, over (ii) the amount
25 of the capital gain dividends designated as such in

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

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

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

21 (i) the addition modification relating to the
22 net operating loss carried back or forward to the
23 taxable year from any taxable year ending prior to
24 December 31, 1986 shall be reduced by the amount of
25 addition modification under this subparagraph (E)
26 which related to that net operating loss and which

1 was taken into account in calculating the base
2 income of an earlier taxable year, and

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

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

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

20 (E-10) 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 (E-11) 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 (E-10), then
3 an amount equal to the aggregate amount of the
4 deductions taken in all taxable years under
5 subparagraph (T) 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 (T), 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 (E-12) 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;

9 (E-13) 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(b)(2)(E-12) 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 (E-14) For taxable years ending on or after
18 December 31, 2008, an amount equal to the amount of
19 insurance premium expenses and costs otherwise allowed
20 as a deduction in computing base income, and that were
21 paid, accrued, or incurred, directly or indirectly, to
22 a 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(b)(2)(E-12) or
16 Section 203(b)(2)(E-13) of this Act;

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

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

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

1 following amounts:

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

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

7 (H) In the case of a regulated investment company,
8 an amount equal to the amount of exempt interest
9 dividends as defined in subsection (b) (5) of Section
10 852 of the Internal Revenue Code, paid to shareholders
11 for the taxable year;

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

1 included in gross income under Section 87 of the
2 Internal Revenue Code and the policyholders' share of
3 tax-exempt interest of a life insurance company under
4 Section 807(a)(2)(B) of the Internal Revenue Code (in
5 the case of a life insurance company with gross income
6 from a decrease in reserves for the tax year) or
7 Section 807(b)(1)(B) of the Internal Revenue Code (in
8 the case of a life insurance company allowed a
9 deduction for an increase in reserves for the tax
10 year); the provisions of this subparagraph are exempt
11 from the provisions of Section 250;

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

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

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

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

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

1 Edge Redevelopment Zone. The subtraction modification
2 available to taxpayer in any year under this subsection
3 shall be that portion of the total interest paid by the
4 borrower with respect to such loan attributable to the
5 eligible property as calculated under the previous
6 sentence. This subparagraph (M) is exempt from the
7 provisions of Section 250;

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

1 deduction provided under this subparagraph (M-1). The
2 subtraction modification available to taxpayers in any
3 year under this subsection shall be that portion of the
4 total interest paid by the borrower with respect to
5 such loan attributable to the eligible property as
6 calculated under the previous sentence;

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

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

1 taxable years ending on or after December 31, 1988,
2 dividends received or deemed received or paid or deemed
3 paid under Sections 951 through 965 of the Internal
4 Revenue Code, exceed the amount of the modification
5 provided under subparagraph (G) of paragraph (2) of
6 this subsection (b) which is related to such dividends,
7 and including, for taxable years ending on or after
8 December 31, 2008, dividends received from a captive
9 real estate investment trust; plus (ii) 100% of the
10 amount by which dividends, included in taxable income
11 and received, including, for taxable years ending on or
12 after December 31, 1988, dividends received or deemed
13 received or paid or deemed paid under Sections 951
14 through 964 of the Internal Revenue Code and including,
15 for taxable years ending on or after December 31, 2008,
16 dividends received from a captive real estate
17 investment trust, from any such corporation specified
18 in clause (i) that would but for the provisions of
19 Section 1504 (b) (3) of the Internal Revenue Code be
20 treated as a member of the affiliated group which
21 includes the dividend recipient, exceed the amount of
22 the modification provided under subparagraph (G) of
23 paragraph (2) of this subsection (b) which is related
24 to such dividends. This subparagraph (O) is exempt from
25 the provisions of Section 250 of this Act;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 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 required in any taxable year to make an addition
25 modification under subparagraph (E-10), then an amount
26 equal to that addition modification.

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

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

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

1 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
2 203(d)(2)(D-9), but not to exceed the amount of that
3 addition modification. This subparagraph (V) is exempt
4 from the provisions of Section 250;

5 (W) An amount equal to the interest income taken
6 into account for the taxable year (net of the
7 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(b)(2)(E-12) for
22 interest paid, accrued, or incurred, directly or
23 indirectly, to the same person. This subparagraph (W)
24 is exempt from the provisions of Section 250;

25 (X) An amount equal to the income from intangible
26 property taken into account for the taxable year (net

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

20 (Y) For taxable years ending on or after December
21 31, 2011, in the case of a taxpayer who was required to
22 add back any insurance premiums under Section
23 203(b)(2)(E-14), such taxpayer may elect to subtract
24 that part of a reimbursement received from the
25 insurance company equal to the amount of the expense or
26 loss (including expenses incurred by the insurance

1 company) that would have been taken into account as a
2 deduction for federal income tax purposes if the
3 expense or loss had been uninsured. If a taxpayer makes
4 the election provided for by this subparagraph (Y), the
5 insurer to which the premiums were paid must add back
6 to income the amount subtracted by the taxpayer
7 pursuant to this subparagraph (Y). This subparagraph
8 (Y) is exempt from the provisions of Section 250; and

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

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

25 (c) Trusts and estates.

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

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

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

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

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

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

25 (E) For taxable years in which a net operating loss
26 carryback or carryforward from a taxable year ending

1 prior to December 31, 1986 is an element of taxable
2 income under paragraph (1) of subsection (e) or
3 subparagraph (E) of paragraph (2) of subsection (e),
4 the amount by which addition modifications other than
5 those provided by this subparagraph (E) exceeded
6 subtraction modifications in such taxable year, with
7 the following limitations applied in the order that
8 they are listed:

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

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

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

1 independently under the preceding provisions of this
2 subparagraph (E) for each such taxable year;

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

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

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

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

23 (G-11) If the taxpayer sells, transfers, abandons,
24 or otherwise disposes of property for which the
25 taxpayer was required in any taxable year to make an
26 addition modification under subparagraph (G-10), then

1 an amount equal to the aggregate amount of the
2 deductions taken in all taxable years under
3 subparagraph (R) with respect to that property.

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

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

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

15 This paragraph shall not apply to the following:

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

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

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

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

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

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

24 Nothing in this subsection shall preclude the
25 Director from making any other adjustment
26 otherwise allowed under Section 404 of this Act for

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

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

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

26 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with a person if the

1 taxpayer establishes by clear and convincing
2 evidence, that the adjustments are unreasonable;
3 or if the taxpayer and the Director agree in
4 writing to the application or use of an alternative
5 method of apportionment under Section 304(f);

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

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

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

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

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

21 (H) For taxable years ending on or before December
22 31, 2013, an ~~An~~ amount equal to all amounts included in
23 such total pursuant to the provisions of Sections
24 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408
25 of the Internal Revenue Code or included in such total
26 as distributions under the provisions of any

1 retirement or disability plan for employees of any
2 governmental agency or unit, or retirement payments to
3 retired partners, which payments are excluded in
4 computing net earnings from self employment by Section
5 1402 of the Internal Revenue Code and regulations
6 adopted pursuant thereto;

7 (H-1) For taxable years ending after December 31,
8 2013, an amount equal to any amount included in such
9 total pursuant to the provisions of Sections 402(a),
10 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
11 Internal Revenue Code, or included in such total as
12 distributions under the provisions of any retirement
13 or disability plan for employees of any governmental
14 agency or unit, or retirement payments to retired
15 partners, which payments are excluded in computing net
16 earnings from self employment by Section 1402 of the
17 Internal Revenue Code and regulations adopted pursuant
18 thereto, but only to the extent that the total of those
19 amounts under this item (H-1) is less than \$125,000; in
20 the case of married couples filing jointly, each
21 individual spouse is entitled to a total deduction of
22 \$125,000 under this item (H-1); this item (H-1) is
23 exempt from the provisions of Section 250;

24 (I) The valuation limitation amount;

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

1 and included in such total for the taxable year;

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

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

1 provisions of this subparagraph are exempt from the
2 provisions of Section 250;

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

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

1 Property Tax Increment Allocation Redevelopment Act;

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

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

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

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

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

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

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

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

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

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

26 (P) If the taxpayer sells, transfers, abandons, or

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

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

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

15 This subparagraph (P) is exempt from the
16 provisions of Section 250;

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

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

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

1 Section 250;

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

22 (T) For taxable years ending on or after December
23 31, 2011, in the case of a taxpayer who was required to
24 add back any insurance premiums under Section
25 203(d)(2)(D-9), such taxpayer may elect to subtract
26 that part of a reimbursement received from the

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

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

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

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

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

22 (A) Certain life insurance companies. In the case
23 of a life insurance company subject to the tax imposed
24 by Section 801 of the Internal Revenue Code, life
25 insurance company taxable income, plus the amount of
26 distribution from pre-1984 policyholder surplus

1 accounts as calculated under Section 815a of the
2 Internal Revenue Code;

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

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

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

15 (E) Consolidated corporations. In the case of a
16 corporation which is a member of an affiliated group of
17 corporations filing a consolidated income tax return
18 for the taxable year for federal income tax purposes,
19 taxable income determined as if such corporation had
20 filed a separate return for federal income tax purposes
21 for the taxable year and each preceding taxable year
22 for which it was a member of an affiliated group. For
23 purposes of this subparagraph, the taxpayer's separate
24 taxable income shall be determined as if the election
25 provided by Section 243(b) (2) of the Internal Revenue
26 Code had been in effect for all such years;

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

1 any resulting Illinois net loss and the standards to be
2 used by the Director in evaluating requests to revoke
3 elections. Public Act 96-932 is declaratory of
4 existing law;

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

21 (H) Partnerships. In the case of a partnership,
22 taxable income determined in accordance with Section
23 703 of the Internal Revenue Code, except that taxable
24 income shall take into account those items which are
25 required by Section 703(a)(1) to be separately stated
26 but which would be taken into account by an individual

1 in calculating his taxable income.

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

19 (f) Valuation limitation amount.

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

23 (A) The sum of the pre-August 1, 1969 appreciation
24 amounts (to the extent consisting of gain reportable
25 under the provisions of Section 1245 or 1250 of the

1 Internal Revenue Code) for all property in respect of
2 which such gain was reported for the taxable year; plus

3 (B) The lesser of (i) the sum of the pre-August 1,
4 1969 appreciation amounts (to the extent consisting of
5 capital gain) for all property in respect of which such
6 gain was reported for federal income tax purposes for
7 the taxable year, or (ii) the net capital gain for the
8 taxable year, reduced in either case by any amount of
9 such gain included in the amount determined under
10 subsection (a) (2) (F) or (c) (2) (H).

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

12 (A) If the fair market value of property referred
13 to in paragraph (1) was readily ascertainable on August
14 1, 1969, the pre-August 1, 1969 appreciation amount for
15 such property is the lesser of (i) the excess of such
16 fair market value over the taxpayer's basis (for
17 determining gain) for such property on that date
18 (determined under the Internal Revenue Code as in
19 effect on that date), or (ii) the total gain realized
20 and reportable for federal income tax purposes in
21 respect of the sale, exchange or other disposition of
22 such property.

23 (B) If the fair market value of property referred
24 to in paragraph (1) was not readily ascertainable on
25 August 1, 1969, the pre-August 1, 1969 appreciation
26 amount for such property is that amount which bears the

1 same ratio to the total gain reported in respect of the
2 property for federal income tax purposes for the
3 taxable year, as the number of full calendar months in
4 that part of the taxpayer's holding period for the
5 property ending July 31, 1969 bears to the number of
6 full calendar months in the taxpayer's entire holding
7 period for the property.

8 (C) The Department shall prescribe such
9 regulations as may be necessary to carry out the
10 purposes of this paragraph.

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

14 (h) Legislative intention. Except as expressly provided by
15 this Section there shall be no modifications or limitations on
16 the amounts of income, gain, loss or deduction taken into
17 account in determining gross income, adjusted gross income or
18 taxable income for federal income tax purposes for the taxable
19 year, or in the amount of such items entering into the
20 computation of base income and net income under this Act for
21 such taxable year, whether in respect of property values as of
22 August 1, 1969 or otherwise.

23 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
24 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;

1 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
2 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
3 eff. 8-23-11; 97-905, eff. 8-7-12.)

4 Section 15. The Illinois Pension Code is amended by
5 changing Sections 1-103.3, 2-124, 2-125, 2-134, 14-131,
6 14-132, 14-135.08, 15-155, 15-156, 15-165, 16-158, 18-131,
7 18-132, and 18-140 and adding Section 16-158.2 as follows:

8 (40 ILCS 5/1-103.3)

9 Sec. 1-103.3. Application of 1994 amendment; funding
10 standard.

11 (a) The provisions of Public Act 88-593 ~~this amendatory Act~~
12 ~~of 1994~~ that change the method of calculating, certifying, and
13 paying the required State contributions to the retirement
14 systems established under Articles 2, 14, 15, 16, and 18 shall
15 first apply to the State contributions required for State
16 fiscal year 1996.

17 (b) (Blank) ~~The General Assembly declares that a funding~~
18 ~~ratio (the ratio of a retirement system's total assets to its~~
19 ~~total actuarial liabilities) of 90% is an appropriate goal for~~
20 ~~State funded retirement systems in Illinois, and it finds that~~
21 ~~a funding ratio of 90% is now the generally recognized norm~~
22 ~~throughout the nation for public employee retirement systems~~
23 ~~that are considered to be financially secure and funded in an~~
24 ~~appropriate and responsible manner.~~

1 (c) Every 5 years, beginning in 1999, the Commission on
2 Government Forecasting and Accountability, in consultation
3 with the affected retirement systems and the Governor's Office
4 of Management and Budget (formerly Bureau of the Budget), shall
5 consider and determine whether the funding goals ~~90% funding~~
6 ~~ratio~~ adopted in Articles 2, 14, 15, 16, and 18 of this Code
7 continue ~~subsection (b) continues~~ to represent ~~an~~ appropriate
8 funding goals ~~goal~~ for those ~~State-funded~~ retirement systems ~~in~~
9 ~~Illinois~~, and it shall report its findings and recommendations
10 on this subject to the Governor and the General Assembly.

11 (Source: P.A. 93-1067, eff. 1-15-05.)

12 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

13 Sec. 2-124. Contributions by State.

14 (a) The State shall make contributions to the System by
15 appropriations of amounts which, together with the
16 contributions of participants, interest earned on investments,
17 and other income will meet the cost of maintaining and
18 administering the System on at least an 80% ~~a 90%~~ funded basis
19 in accordance with actuarial recommendations.

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

25 (c) For State fiscal years 2014 through 2057, the minimum

1 contribution to the System to be made by the State for each
2 fiscal year shall be the sum of (1) the State's portion of the
3 projected normal cost for that fiscal year, plus (2) the
4 "System Unfunded Liability Amortization Payment" as in this
5 Section. For purposes of this Article, the term "Base System
6 Unfunded Liability Amortization Payment" shall mean the dollar
7 amount which is sufficient to amortize 80% of the present value
8 of the unfunded liability, calculated using the actuarial value
9 of assets that existed on June 30, 2012 (the "System
10 Principal"), in 45 equal annual installments of principal and
11 interest, with the interest calculated at 7% (the "System
12 Applicable Rate"), commencing in fiscal year 2014 and
13 continuing until and including fiscal year 2057. If at any time
14 the investment rate assumption for the System is changed from
15 7% (or any subsequent System applicable rates percentage
16 determined under this Section), then commencing in the fiscal
17 year of such change (i) the System applicable rate shall be
18 changed to comport with such new investment rate assumption;
19 and (ii) (1) the System Unfunded Liability Amortization Payment
20 shall be changed to that amount which will amortize the then
21 remaining unpaid portion of the Systems Principal (2)
22 commencing in the then current fiscal year and continuing in
23 equal annual installments through and including fiscal year
24 2057, together with interest computed at such new investment
25 rate assumption. The initial Base System Unfunded Liability
26 Amortization Payment shall annually be \$14,520,000. Beginning

1 July 1, 2014 through June 30, 2057 if new unfunded liabilities
2 should arise the State's total contribution to the System shall
3 be increased so that the new unfunded liability is amortized
4 over a period of 30 years on a level dollar basis.

5 For State fiscal years 2012 and 2013 ~~through 2045~~, the
6 minimum contribution to the System to be made by the State for
7 each fiscal year shall be an amount determined by the System to
8 be sufficient to bring the total assets of the System up to 90%
9 of 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.

20 Notwithstanding any other provision of this Article, the
21 total required State contribution for State fiscal year 2006 is
22 \$4,157,000.

23 Notwithstanding any other provision of this Article, the
24 total required State contribution for State fiscal year 2007 is
25 \$5,220,300.

26 For each of State fiscal years 2008 through 2009, the State

1 contribution to the System, as a percentage of the applicable
2 employee payroll, shall be increased in equal annual increments
3 from the required State contribution for State fiscal year
4 2007, so that by State fiscal year 2011, the State is
5 contributing at the rate otherwise required under this Section.

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

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

1 Beginning in State fiscal year 2058, the minimum
2 contribution to the System to be made by the State for each
3 fiscal year shall be the sum of (1) the State's portion of the
4 projected normal cost for that fiscal year, plus (2) the "State
5 New Unfunded Liability Amortization Payment" as defined in this
6 Section. In fiscal year 2058 and thereafter, State Unfunded
7 Liability Amortization shall be an amount sufficient to
8 amortize any unfunded liabilities over 30 years. In making
9 these determinations, the required State Unfunded Liability
10 Amortization Payment shall be calculated each year on a level
11 dollar basis, and shall be determined using actuarially
12 acceptable practices and shall be consistent with requirements
13 set forth elsewhere in the Illinois Pension Code.

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

18 Amounts received by the System pursuant to Section 25 of
19 the Budget Stabilization Act or Section 8.12 of the State
20 Finance Act in any fiscal year do not reduce and do not
21 constitute payment of any portion of the minimum State
22 contribution required under this Article in that fiscal year.
23 Such amounts shall not reduce, and shall not be included in the
24 calculation of, the required State contributions under this
25 Article in any future year until the System has reached a
26 funding ratio of at least 80% ~~90%~~. A reference in this Article

1 to the "required State contribution" or any substantially
2 similar term does not include or apply to any amounts payable
3 to the System under Section 25 of the Budget Stabilization Act.

4 Notwithstanding any other provision of this Code or the
5 Budget Stabilization Act, amounts transferred to the System
6 pursuant to the Budget Stabilization Act after the effective
7 date of this amendatory Act of the 98th General Assembly do not
8 reduce and do not constitute payment of any portion of the
9 required State contribution under this Article in that fiscal
10 year. Such amounts shall not reduce, and shall not be included
11 in the calculation of, the required State contributions under
12 this Article in any future year until the System has received
13 payment of contributions pursuant to the Budget Stabilization
14 Act.

15 Notwithstanding any other provision of this Section, the
16 required State contribution for State fiscal year 2005 and for
17 fiscal year 2008 and each fiscal year thereafter through State
18 fiscal year 2013, as calculated under this Section and
19 certified under Section 2-134, shall not exceed an amount equal
20 to (i) the amount of the required State contribution that would
21 have been calculated under this Section for that fiscal year if
22 the System had not received any payments under subsection (d)
23 of Section 7.2 of the General Obligation Bond Act, minus (ii)
24 the portion of the State's total debt service payments for that
25 fiscal year on the bonds issued in fiscal year 2003 for the
26 purposes of that Section 7.2, as determined and certified by

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

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

18 As of June 30, 2008, the actuarial value of the System's
19 assets shall be equal to the market value of the assets as of
20 that date. In determining the actuarial value of the System's
21 assets for fiscal years after June 30, 2008, any actuarial
22 gains or losses from investment return incurred in a fiscal
23 year shall be recognized in equal annual amounts over the
24 5-year period following that fiscal year.

25 (e) For purposes of determining the required State
26 contribution to the system for a particular year, the actuarial

1 value of assets shall be assumed to earn a rate of return equal
2 to the system's actuarially assumed rate of return.

3 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
4 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
5 7-13-12.)

6 (40 ILCS 5/2-125) (from Ch. 108 1/2, par. 2-125)

7 Sec. 2-125. Obligations of State; funding guarantee.

8 (a) The payment of (1) the required State contributions,
9 (2) all benefits granted under this system and (3) all expenses
10 of administration and operation are obligations of the State to
11 the extent specified in this Article.

12 (b) All income, interest and dividends derived from
13 deposits and investments shall be credited to the account of
14 the system in the State Treasury and used to pay benefits under
15 this Article.

16 (c) Beginning July 1, 2013, the State shall be
17 contractually obligated to contribute to the System under
18 Section 2-124 in each State fiscal year an amount not less than
19 the sum of (i) the State's normal cost for that year and (ii)
20 the System Unfunded Liability Amortization Payment for that
21 year as determined under Section 2-124. The obligations created
22 under this subsection (c) are contractual obligations
23 protected and enforceable under Article I, Section 16 and
24 Article XIII, Section 5 of the Illinois Constitution.

25 Notwithstanding any other provision of law, if the State

1 fails to pay in a State fiscal year the amount guaranteed under
2 this subsection, the System may bring a mandamus action in the
3 Circuit Court of Sangamon County to compel the State to make
4 that payment, irrespective of other remedies that may be
5 available to the System. In ordering the State to make the
6 required payment, the court may order a reasonable payment
7 schedule to enable the State to make the required payment
8 without significantly imperiling the public health, safety, or
9 welfare.

10 Any payments required to be made by the State pursuant to
11 this subsection (c) are expressly subordinated to the payment
12 of the principal, interest, and premium, if any, on any bonded
13 debt obligation of the State or any other State-created entity,
14 either currently outstanding or to be issued, for which the
15 source of repayment or security thereon is derived directly or
16 indirectly from tax revenues collected by the State or any
17 other State-created entity. Payments on such bonded
18 obligations include any statutory fund transfers or other
19 prefunding mechanisms or formulas set forth, now or hereafter,
20 in State law or bond indentures, into debt service funds or
21 accounts of the State related to such bonded obligations,
22 consistent with the payment schedules associated with such
23 obligations.

24 (Source: P.A. 83-1440.)

25 (40 ILCS 5/2-134) (from Ch. 108 1/2, par. 2-134)

1 Sec. 2-134. To certify required State contributions and
2 submit vouchers.

3 (a) The Board shall certify to the Governor on or before
4 December 15 of each year until December 15, 2011 the amount of
5 the required State contribution to the System for the next
6 fiscal year and shall specifically identify the System's
7 projected State normal cost for that fiscal year. The
8 certification shall include a copy of the actuarial
9 recommendations upon which it is based and shall specifically
10 identify the System's projected State normal cost for that
11 fiscal year.

12 On or before November 1 of each year, beginning November 1,
13 2012, the Board shall submit to the State Actuary, the
14 Governor, and the General Assembly a proposed certification of
15 the amount of the required State contribution to the System for
16 the next fiscal year, along with all of the actuarial
17 assumptions, calculations, and data upon which that proposed
18 certification is based. On or before January 1 of each year
19 beginning January 1, 2013, the State Actuary shall issue a
20 preliminary report concerning the proposed certification and
21 identifying, if necessary, recommended changes in actuarial
22 assumptions that the Board must consider before finalizing its
23 certification of the required State contributions. On or before
24 January 15, 2013 and every January 15 thereafter, the Board
25 shall certify to the Governor and the General Assembly the
26 amount of the required State contribution for the next fiscal

1 year. The Board's certification must note any deviations from
2 the State Actuary's recommended changes, the reason or reasons
3 for not following the State Actuary's recommended changes, and
4 the fiscal impact of not following the State Actuary's
5 recommended changes on the required State contribution.

6 On or before May 1, 2004, the Board shall recalculate and
7 recertify to the Governor the amount of the required State
8 contribution to the System for State fiscal year 2005, taking
9 into account the amounts appropriated to and received by the
10 System under subsection (d) of Section 7.2 of the General
11 Obligation Bond Act.

12 On or before July 1, 2005, the Board shall recalculate and
13 recertify to the Governor the amount of the required State
14 contribution to the System for State fiscal year 2006, taking
15 into account the changes in required State contributions made
16 by this amendatory Act of the 94th General Assembly.

17 On or before April 1, 2011, the Board shall recalculate and
18 recertify to the Governor the amount of the required State
19 contribution to the System for State fiscal year 2011, applying
20 the changes made by Public Act 96-889 to the System's assets
21 and liabilities as of June 30, 2009 as though Public Act 96-889
22 was approved on that date.

23 On or before July 1, 2013, the Board shall recalculate and
24 recertify to the Governor and to each department the amount of
25 the required State contribution to the System and the required
26 rates for State contributions to the System for State fiscal

1 year 2014, taking into account the changes in required State
2 contributions made by this amendatory Act of the 98th General
3 Assembly.

4 (b) Beginning in State fiscal year 1996, on or as soon as
5 possible after the 15th day of each month the Board shall
6 submit vouchers for payment of State contributions to the
7 System, in a total monthly amount of one-twelfth of the
8 required annual State contribution certified under subsection
9 (a). From the effective date of this amendatory Act of the 93rd
10 General Assembly through June 30, 2004, the Board shall not
11 submit vouchers for the remainder of fiscal year 2004 in excess
12 of the fiscal year 2004 certified contribution amount
13 determined under this Section after taking into consideration
14 the transfer to the System under subsection (d) of Section
15 6z-61 of the State Finance Act. These vouchers shall be paid by
16 the State Comptroller and Treasurer by warrants drawn on the
17 funds appropriated to the System for that fiscal year. If in
18 any month the amount remaining unexpended from all other
19 appropriations to the System for the applicable fiscal year
20 (including the appropriations to the System under Section 8.12
21 of the State Finance Act and Section 1 of the State Pension
22 Funds Continuing Appropriation Act) is less than the amount
23 lawfully vouchered under this Section, the difference shall be
24 paid from the General Revenue Fund under the continuing
25 appropriation authority provided in Section 1.1 of the State
26 Pension Funds Continuing Appropriation Act.

1 (c) The full amount of any annual appropriation for the
2 System for State fiscal year 1995 shall be transferred and made
3 available to the System at the beginning of that fiscal year at
4 the request of the Board. Any excess funds remaining at the end
5 of any fiscal year from appropriations shall be retained by the
6 System as a general reserve to meet the System's accrued
7 liabilities.

8 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;
9 97-694, eff. 6-18-12.)

10 (40 ILCS 5/14-131)

11 Sec. 14-131. Contributions by State.

12 (a) The State shall make contributions to the System by
13 appropriations of amounts which, together with other employer
14 contributions from trust, federal, and other funds, employee
15 contributions, investment income, and other income, will be
16 sufficient to meet the cost of maintaining and administering
17 the System on at least an 80% ~~a 90%~~ funded basis in accordance
18 with actuarial recommendations.

19 For the purposes of this Section and Section 14-135.08,
20 references to State contributions refer only to employer
21 contributions and do not include employee contributions that
22 are picked up or otherwise paid by the State or a department on
23 behalf of the employee.

24 (b) The Board shall determine the total amount of State
25 contributions required for each fiscal year on the basis of the

1 actuarial tables and other assumptions adopted by the Board,
2 using the formula in subsection (e).

3 The Board shall also determine a State contribution rate
4 for each fiscal year, expressed as a percentage of payroll,
5 based on the total required State contribution for that fiscal
6 year (less the amount received by the System from
7 appropriations under Section 8.12 of the State Finance Act and
8 Section 1 of the State Pension Funds Continuing Appropriation
9 Act, if any, for the fiscal year ending on the June 30
10 immediately preceding the applicable November 15 certification
11 deadline), the estimated payroll (including all forms of
12 compensation) for personal services rendered by eligible
13 employees, and the recommendations of the actuary.

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

21 (c) Contributions shall be made by the several departments
22 for each pay period by warrants drawn by the State Comptroller
23 against their respective funds or appropriations based upon
24 vouchers stating the amount to be so contributed. These amounts
25 shall be based on the full rate certified by the Board under
26 Section 14-135.08 for that fiscal year. From the effective date

1 of this amendatory Act of the 93rd General Assembly through the
2 payment of the final payroll from fiscal year 2004
3 appropriations, the several departments shall not make
4 contributions for the remainder of fiscal year 2004 but shall
5 instead make payments as required under subsection (a-1) of
6 Section 14.1 of the State Finance Act. The several departments
7 shall resume those contributions at the commencement of fiscal
8 year 2005.

9 (c-1) Notwithstanding subsection (c) of this Section, for
10 fiscal years 2010, 2012, and 2013 only, contributions by the
11 several departments are not required to be made for General
12 Revenue Funds payrolls processed by the Comptroller. Payrolls
13 paid by the several departments from all other State funds must
14 continue to be processed pursuant to subsection (c) of this
15 Section.

16 (c-2) For State fiscal years 2010, 2012, and 2013 only, on
17 or as soon as possible after the 15th day of each month, 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 fiscal year General Revenue Fund contribution as certified by
21 the System pursuant to Section 14-135.08 of the Illinois
22 Pension Code.

23 (d) If an employee is paid from trust funds or federal
24 funds, the department or other employer shall pay employer
25 contributions from those funds to the System at the certified
26 rate, unless the terms of the trust or the federal-State

1 agreement preclude the use of the funds for that purpose, in
2 which case the required employer contributions shall be paid by
3 the State. From the effective date of this amendatory Act of
4 the 93rd General Assembly through the payment of the final
5 payroll from fiscal year 2004 appropriations, the department or
6 other employer shall not pay contributions for the remainder of
7 fiscal year 2004 but shall instead make payments as required
8 under subsection (a-1) of Section 14.1 of the State Finance
9 Act. The department or other employer shall resume payment of
10 contributions at the commencement of fiscal year 2005.

11 (e) For State fiscal years 2014 through 2057, the minimum
12 contribution to the System to be made by the State for each
13 fiscal year shall be the sum of (1) the State's portion of the
14 projected normal cost for that fiscal year, plus (2) the
15 "Retirement System Unfunded Liability Amortization Payment" as
16 in this Section. For purposes of this Article, the term "Base
17 Retirement System Unfunded Liability Amortization Payment"
18 shall mean the dollar amount which is sufficient to amortize
19 80% of the present value of the unfunded liability, calculated
20 using the actuarial value of assets that existed on June 30,
21 2012 (the "Retirement System Principal"), in 45 equal annual
22 installments of principal and interest, with the interest
23 calculated at 7.75% (the "Retirement System Applicable Rate"),
24 commencing in fiscal year 2014 and continuing until and
25 including fiscal year 2057. If at any time the investment rate
26 assumption for the Retirement System is changed from 7.75% (or

1 any subsequent Retirement System applicable rates percentage
2 determined under this Section), then commencing in the fiscal
3 year of such change (i) the Retirement System applicable rate
4 shall be changed to comport with such new investment rate
5 assumption; and (ii) (1) the Retirement System Unfunded
6 Liability Amortization Payment shall be changed to that amount
7 which will amortize the then remaining unpaid portion of the
8 Retirement System Principal (2) commencing in the then current
9 fiscal year and continuing in equal annual installments through
10 and including fiscal year 2057, together with interest computed
11 at such new investment rate assumption. The initial Base
12 Retirement System Unfunded Liability Amortization Payment
13 shall annually be \$1,382,880,000. Beginning July 1, 2014
14 through June 30, 2057 if new unfunded liabilities should arise
15 the State's total contribution to the System shall be increased
16 so that the new unfunded liability is amortized over a period
17 of 30 years on a level dollar basis.

18 For State fiscal years 2012 and 2013 ~~through 2045~~, the
19 minimum contribution to the System to be made by the State for
20 each fiscal year shall be an amount determined by the System to
21 be sufficient to bring the total assets of the System up to 90%
22 of the total actuarial liabilities of the System by the end of
23 State fiscal year 2045. In making these determinations, the
24 required State contribution shall be calculated each year as a
25 level percentage of payroll over the years remaining to and
26 including fiscal year 2045 and shall be determined under the

1 projected unit credit actuarial cost method.

2 For State fiscal years 1996 through 2005, the State
3 contribution to the System, as a percentage of the applicable
4 employee payroll, shall be increased in equal annual increments
5 so that by State fiscal year 2011, the State is contributing at
6 the rate required under this Section; except that (i) for State
7 fiscal year 1998, for all purposes of this Code and any other
8 law of this State, the certified percentage of the applicable
9 employee payroll shall be 5.052% for employees earning eligible
10 creditable service under Section 14-110 and 6.500% for all
11 other employees, notwithstanding any contrary certification
12 made under Section 14-135.08 before the effective date of this
13 amendatory Act of 1997, and (ii) in the following specified
14 State fiscal years, the State contribution to the System shall
15 not be less than the following indicated percentages of the
16 applicable employee payroll, even if the indicated percentage
17 will produce a State contribution in excess of the amount
18 otherwise required under this subsection and subsection (a):
19 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY
20 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

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 General Revenue Fund contribution for
9 State fiscal year 2010 is \$723,703,100 and shall be made from
10 the proceeds of bonds sold in fiscal year 2010 pursuant to
11 Section 7.2 of the General Obligation Bond Act, less (i) the
12 pro rata share of bond sale expenses determined by the System's
13 share of total bond proceeds, (ii) any amounts received from
14 the General Revenue Fund in fiscal year 2010, and (iii) any
15 reduction in bond proceeds due to the issuance of discounted
16 bonds, if applicable.

17 Notwithstanding any other provision of this Article, the
18 total required State General Revenue Fund contribution for
19 State fiscal year 2011 is the amount recertified by the System
20 on or before April 1, 2011 pursuant to Section 14-135.08 and
21 shall be made from the proceeds of bonds sold in fiscal year
22 2011 pursuant to Section 7.2 of the General Obligation Bond
23 Act, less (i) the pro rata share of bond sale expenses
24 determined by the System's share of total bond proceeds, (ii)
25 any amounts received from the General Revenue Fund in fiscal
26 year 2011, and (iii) any reduction in bond proceeds due to the

1 issuance of discounted bonds, if applicable.

2 Beginning in State fiscal year 2058, the minimum
3 contribution to the System to be made by the State for each
4 fiscal year shall be the sum of (1) the State's portion of the
5 projected normal cost for that fiscal year, plus (2) the "State
6 New Unfunded Liability Amortization Payment" as defined in this
7 Section. In fiscal year 2058 and thereafter, State Unfunded
8 Liability Amortization shall be an amount sufficient to
9 amortize any unfunded liabilities over 30 years. In making
10 these determinations, the required State Unfunded Liability
11 Amortization Payment shall be calculated each year on a level
12 dollar basis, and shall be determined using actuarially
13 acceptable practices and shall be consistent with requirements
14 set forth elsewhere in the Illinois Pension Code.

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 25 of
20 the Budget Stabilization Act or Section 8.12 of the State
21 Finance Act in any fiscal year do not reduce and do not
22 constitute payment of any portion of the minimum State
23 contribution required under this Article in that fiscal year.
24 Such amounts shall not reduce, and shall not be included in the
25 calculation of, the required State contributions under this
26 Article in any future year until the System has reached a

1 funding ratio of at least 80% ~~90%~~. A reference in this Article
2 to the "required State contribution" or any substantially
3 similar term does not include or apply to any amounts payable
4 to the System under Section 25 of the Budget Stabilization Act.

5 Notwithstanding any other provision of this Code or the
6 Budget Stabilization Act, amounts transferred to the System
7 pursuant to the Budget Stabilization Act after the effective
8 date of this amendatory Act of the 98th General Assembly do not
9 reduce and do not constitute payment of any portion of the
10 required State contribution under this Article in that fiscal
11 year. Such amounts shall not reduce, and shall not be included
12 in the calculation of, the required State contributions under
13 this Article in any future year until the System has received
14 payment of contributions pursuant to the Budget Stabilization
15 Act.

16 Notwithstanding any other provision of this Section, the
17 required State contribution for State fiscal year 2005 and for
18 fiscal year 2008 and each fiscal year thereafter through State
19 fiscal year 2013, as calculated under this Section and
20 certified under Section 14-135.08, shall not exceed an amount
21 equal to (i) the amount of the required State contribution that
22 would have been calculated under this Section for that fiscal
23 year if the System had not received any payments under
24 subsection (d) of Section 7.2 of the General Obligation Bond
25 Act, minus (ii) the portion of the State's total debt service
26 payments for that fiscal year on the bonds issued in fiscal

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

15 (f) After the submission of all payments for eligible
16 employees from personal services line items in fiscal year 2004
17 have been made, the Comptroller shall provide to the System a
18 certification of the sum of all fiscal year 2004 expenditures
19 for personal services that would have been covered by payments
20 to the System under this Section if the provisions of this
21 amendatory Act of the 93rd General Assembly had not been
22 enacted. Upon receipt of the certification, the System shall
23 determine the amount due to the System based on the full rate
24 certified by the Board under Section 14-135.08 for fiscal year
25 2004 in order to meet the State's obligation under this
26 Section. The System shall compare this amount due to the amount

1 received by the System in fiscal year 2004 through payments
2 under this Section and under Section 6z-61 of the State Finance
3 Act. If the amount due is more than the amount received, the
4 difference shall be termed the "Fiscal Year 2004 Shortfall" for
5 purposes of this Section, and the Fiscal Year 2004 Shortfall
6 shall be satisfied under Section 1.2 of the State Pension Funds
7 Continuing Appropriation Act. If the amount due is less than
8 the amount received, the difference shall be termed the "Fiscal
9 Year 2004 Overpayment" for purposes of this Section, and the
10 Fiscal Year 2004 Overpayment shall be repaid by the System to
11 the Pension Contribution Fund as soon as practicable after the
12 certification.

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

17 As of June 30, 2008, the actuarial value of the System's
18 assets shall be equal to the market value of the assets as of
19 that date. In determining the actuarial value of the System's
20 assets for fiscal years after June 30, 2008, any actuarial
21 gains or losses from investment return incurred in a fiscal
22 year shall be recognized in equal annual amounts over the
23 5-year period following that fiscal year.

24 (h) For purposes of determining the required State
25 contribution to the System for a particular year, the actuarial
26 value of assets shall be assumed to earn a rate of return equal

1 to the System's actuarially assumed rate of return.

2 (i) After the submission of all payments for eligible
3 employees from personal services line items paid from the
4 General Revenue Fund in fiscal year 2010 have been made, the
5 Comptroller shall provide to the System a certification of the
6 sum of all fiscal year 2010 expenditures for personal services
7 that would have been covered by payments to the System under
8 this Section if the provisions of this amendatory Act of the
9 96th General Assembly had not been enacted. Upon receipt of the
10 certification, the System shall determine the amount due to the
11 System based on the full rate certified by the Board under
12 Section 14-135.08 for fiscal year 2010 in order to meet the
13 State's obligation under this Section. The System shall compare
14 this amount due to the amount received by the System in fiscal
15 year 2010 through payments under this Section. If the amount
16 due is more than the amount received, the difference shall be
17 termed the "Fiscal Year 2010 Shortfall" for purposes of this
18 Section, and the Fiscal Year 2010 Shortfall shall be satisfied
19 under Section 1.2 of the State Pension Funds Continuing
20 Appropriation Act. If the amount due is less than the amount
21 received, the difference shall be termed the "Fiscal Year 2010
22 Overpayment" for purposes of this Section, and the Fiscal Year
23 2010 Overpayment shall be repaid by the System to the General
24 Revenue Fund as soon as practicable after the certification.

25 (j) After the submission of all payments for eligible
26 employees from personal services line items paid from the

1 General Revenue Fund in fiscal year 2011 have been made, the
2 Comptroller shall provide to the System a certification of the
3 sum of all fiscal year 2011 expenditures for personal services
4 that would have been covered by payments to the System under
5 this Section if the provisions of this amendatory Act of the
6 96th General Assembly had not been enacted. Upon receipt of the
7 certification, the System shall determine the amount due to the
8 System based on the full rate certified by the Board under
9 Section 14-135.08 for fiscal year 2011 in order to meet the
10 State's obligation under this Section. The System shall compare
11 this amount due to the amount received by the System in fiscal
12 year 2011 through payments under this Section. If the amount
13 due is more than the amount received, the difference shall be
14 termed the "Fiscal Year 2011 Shortfall" for purposes of this
15 Section, and the Fiscal Year 2011 Shortfall shall be satisfied
16 under Section 1.2 of the State Pension Funds Continuing
17 Appropriation Act. If the amount due is less than the amount
18 received, the difference shall be termed the "Fiscal Year 2011
19 Overpayment" for purposes of this Section, and the Fiscal Year
20 2011 Overpayment shall be repaid by the System to the General
21 Revenue Fund as soon as practicable after the certification.

22 (k) For fiscal years 2012 and 2013 only, after the
23 submission of all payments for eligible employees from personal
24 services line items paid from the General Revenue Fund in the
25 fiscal year have been made, the Comptroller shall provide to
26 the System a certification of the sum of all expenditures in

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

17 (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09;
18 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff.
19 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11; 97-732,
20 eff. 6-30-12.)

21 (40 ILCS 5/14-132) (from Ch. 108 1/2, par. 14-132)

22 Sec. 14-132. Obligations of State; funding guarantee.

23 (a) The payment of the required department contributions,
24 all allowances, annuities, benefits granted under this
25 Article, and all expenses of administration of the system are

1 obligations of the State of Illinois to the extent specified in
2 this Article.

3 (b) All income of the system shall be credited to a
4 separate account for this system in the State treasury and
5 shall be used to pay allowances, annuities, benefits and
6 administration expense.

7 (c) Beginning July 1, 2013, the State shall be
8 contractually obligated to contribute to the System under
9 Section 14-131 in each State fiscal year an amount not less
10 than the sum of (i) the State's normal cost for that year and
11 (ii) the Retirement System Unfunded Liability Amortization
12 Payment for that year as determined under Section 14-131. The
13 obligations created under this subsection (c) are contractual
14 obligations protected and enforceable under Article I, Section
15 16 and Article XIII, Section 5 of the Illinois Constitution.

16 Notwithstanding any other provision of law, if the State
17 fails to pay in a State fiscal year the amount guaranteed under
18 this subsection, the System may bring a mandamus action in the
19 Circuit Court of Sangamon County to compel the State to make
20 that payment, irrespective of other remedies that may be
21 available to the System. In ordering the State to make the
22 required payment, the court may order a reasonable payment
23 schedule to enable the State to make the required payment
24 without significantly imperiling the public health, safety, or
25 welfare.

26 Any payments required to be made by the State pursuant to

1 this subsection (c) are expressly subordinated to the payment
2 of the principal, interest, and premium, if any, on any bonded
3 debt obligation of the State or any other State-created entity,
4 either currently outstanding or to be issued, for which the
5 source of repayment or security thereon is derived directly or
6 indirectly from tax revenues collected by the State or any
7 other State-created entity. Payments on such bonded
8 obligations include any statutory fund transfers or other
9 prefunding mechanisms or formulas set forth, now or hereafter,
10 in State law or bond indentures, into debt service funds or
11 accounts of the State related to such bonded obligations,
12 consistent with the payment schedules associated with such
13 obligations.

14 (Source: P.A. 80-841.)

15 (40 ILCS 5/14-135.08) (from Ch. 108 1/2, par. 14-135.08)

16 Sec. 14-135.08. To certify required State contributions.

17 (a) To certify to the Governor and to each department, on
18 or before November 15 of each year until November 15, 2011, the
19 required rate for State contributions to the System for the
20 next State fiscal year, as determined under subsection (b) of
21 Section 14-131. The certification to the Governor under this
22 subsection (a) shall include a copy of the actuarial
23 recommendations upon which the rate is based and shall
24 specifically identify the System's projected State normal cost
25 for that fiscal year.

1 (a-5) On or before November 1 of each year, beginning
2 November 1, 2012, the Board shall submit to the State Actuary,
3 the Governor, and the General Assembly a proposed certification
4 of the amount of the required State contribution to the System
5 for the next fiscal year, along with all of the actuarial
6 assumptions, calculations, and data upon which that proposed
7 certification is based. On or before January 1 of each year
8 beginning January 1, 2013, the State Actuary shall issue a
9 preliminary report concerning the proposed certification and
10 identifying, if necessary, recommended changes in actuarial
11 assumptions that the Board must consider before finalizing its
12 certification of the required State contributions. On or before
13 January 15, 2013 and each January 15 thereafter, the Board
14 shall certify to the Governor and the General Assembly the
15 amount of the required State contribution for the next fiscal
16 year. The Board's certification must note any deviations from
17 the State Actuary's recommended changes, the reason or reasons
18 for not following the State Actuary's recommended changes, and
19 the fiscal impact of not following the State Actuary's
20 recommended changes on the required State contribution.

21 (b) The certifications under subsections (a) and (a-5)
22 shall include an additional amount necessary to pay all
23 principal of and interest on those general obligation bonds due
24 the next fiscal year authorized by Section 7.2(a) of the
25 General Obligation Bond Act and issued to provide the proceeds
26 deposited by the State with the System in July 2003,

1 representing deposits other than amounts reserved under
2 Section 7.2(c) of the General Obligation Bond Act. For State
3 fiscal year 2005, the Board shall make a supplemental
4 certification of the additional amount necessary to pay all
5 principal of and interest on those general obligation bonds due
6 in State fiscal years 2004 and 2005 authorized by Section
7 7.2(a) of the General Obligation Bond Act and issued to provide
8 the proceeds deposited by the State with the System in July
9 2003, representing deposits other than amounts reserved under
10 Section 7.2(c) of the General Obligation Bond Act, as soon as
11 practical after the effective date of this amendatory Act of
12 the 93rd General Assembly.

13 On or before May 1, 2004, the Board shall recalculate and
14 recertify to the Governor and to each department the amount of
15 the required State contribution to the System and the required
16 rates for State contributions to the System for State fiscal
17 year 2005, taking into account the amounts appropriated to and
18 received by the System under subsection (d) of Section 7.2 of
19 the General Obligation Bond Act.

20 On or before July 1, 2005, the Board shall recalculate and
21 recertify to the Governor and to each department the amount of
22 the required State contribution to the System and the required
23 rates for State contributions to the System for State fiscal
24 year 2006, taking into account the changes in required State
25 contributions made by this amendatory Act of the 94th General
26 Assembly.

1 On or before April 1, 2011, the Board shall recalculate and
2 recertify to the Governor and to each department the amount of
3 the required State contribution to the System for State fiscal
4 year 2011, applying the changes made by Public Act 96-889 to
5 the System's assets and liabilities as of June 30, 2009 as
6 though Public Act 96-889 was approved on that date.

7 On or before July 1, 2013, the Board shall recalculate and
8 recertify to the Governor and to each department the amount of
9 the required State contribution to the System and the required
10 rates for State contributions to the System for State fiscal
11 year 2014, taking into account the changes in required State
12 contributions made by this amendatory Act of the 98th General
13 Assembly.

14 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;
15 97-694, eff. 6-18-12.)

16 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

17 Sec. 15-155. Employer contributions.

18 (a) The State of Illinois shall make contributions by
19 appropriations of amounts which, together with the other
20 employer contributions from trust, federal, and other funds,
21 employee contributions, income from investments, and other
22 income of this System, will be sufficient to meet the cost of
23 maintaining and administering the System on at least an 80% ~~a~~
24 ~~90%~~ funded basis in accordance with actuarial recommendations.

25 The Board shall determine the amount of State contributions

1 required for each fiscal year on the basis of the actuarial
2 tables and other assumptions adopted by the Board and the
3 recommendations of the actuary, using the formula in subsection
4 (a-1).

5 (a-1) For State fiscal years 2014 through 2057, the minimum
6 contribution to the System to be made by the State for each
7 fiscal year shall be the sum of (1) the State's portion of the
8 projected normal cost for that fiscal year, plus (2) the
9 "System Unfunded Liability Amortization Payment" as in this
10 Section. For purposes of this Article, the term "Base System
11 Unfunded Liability Amortization Payment" shall mean the dollar
12 amount which is sufficient to amortize 80% of the present value
13 of the unfunded liability, calculated using the actuarial value
14 of assets that existed on June 30, 2012 (the "System
15 Principal"), in 45 equal annual installments of principal and
16 interest, with the interest calculated at 7.75% (the "System
17 Applicable Rate"), commencing in fiscal year 2014 and
18 continuing until and including fiscal year 2057. If at any time
19 the investment rate assumption for the System is changed from
20 7.75% (or any subsequent System applicable rates percentage
21 determined under this Section), then commencing in the fiscal
22 year of such change (i) the System applicable rate shall be
23 changed to comport with such new investment rate assumption;
24 and (ii) (1) the System Unfunded Liability Amortization Payment
25 shall be changed to that amount which will amortize the then
26 remaining unpaid portion of the System Principal (2) commencing

1 in the then current fiscal year and continuing in equal annual
2 installments through and including fiscal year 2057, together
3 with interest computed at such new investment rate assumption.
4 The initial Base System Unfunded Liability Amortization
5 Payment shall annually be \$1,229,640,000. Beginning July 1,
6 2014 through June 30, 2057 if new unfunded liabilities should
7 arise the State's total contribution to the System shall be
8 increased so that the new unfunded liability is amortized over
9 a period of 30 years on a level dollar basis.

10 For State fiscal years 2012 and 2013 ~~through 2045~~, the
11 minimum contribution to the System to be made by the State for
12 each fiscal year shall be an amount determined by the System to
13 be sufficient to bring the total assets of the System up to 90%
14 of the total actuarial liabilities of the System by the end of
15 State fiscal year 2045. In making these determinations, the
16 required State contribution shall be calculated each year as a
17 level percentage of payroll over the years remaining to and
18 including fiscal year 2045 and shall be determined under the
19 projected unit credit actuarial cost method.

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

25 Notwithstanding any other provision of this Article, the
26 total required State contribution for State fiscal year 2006 is

1 \$166,641,900.

2 Notwithstanding any other provision of this Article, the
3 total required State contribution for State fiscal year 2007 is
4 \$252,064,100.

5 For each of State fiscal years 2008 through 2009, the State
6 contribution to the System, as a percentage of the applicable
7 employee payroll, shall be increased in equal annual increments
8 from the required State contribution for State fiscal year
9 2007, so that by State fiscal year 2011, the State is
10 contributing at the rate otherwise required under this Section.

11 Notwithstanding any other provision of this Article, the
12 total required State contribution for State fiscal year 2010 is
13 \$702,514,000 and shall be made from the State Pensions Fund and
14 proceeds of bonds sold in fiscal year 2010 pursuant to Section
15 7.2 of the General Obligation Bond Act, less (i) the pro rata
16 share of bond sale expenses determined by the System's share of
17 total bond proceeds, (ii) any amounts received from the General
18 Revenue Fund in fiscal year 2010, (iii) any reduction in bond
19 proceeds due to the issuance of discounted bonds, if
20 applicable.

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2011 is
23 the amount recertified by the System on or before April 1, 2011
24 pursuant to Section 15-165 and shall be made from the State
25 Pensions Fund and proceeds of bonds sold in fiscal year 2011
26 pursuant to Section 7.2 of the General Obligation Bond Act,

1 less (i) the pro rata share of bond sale expenses determined by
2 the System's share of total bond proceeds, (ii) any amounts
3 received from the General Revenue Fund in fiscal year 2011, and
4 (iii) any reduction in bond proceeds due to the issuance of
5 discounted bonds, if applicable.

6 Beginning in State fiscal year 2058, the minimum
7 contribution to the System to be made by the State for each
8 fiscal year shall be the sum of (1) the State's portion of the
9 projected normal cost for that fiscal year, plus (2) the "State
10 New Unfunded Liability Amortization Payment" as defined in this
11 Section. In fiscal year 2058 and thereafter, State Unfunded
12 Liability Amortization shall be an amount sufficient to
13 amortize any unfunded liabilities over 30 years. In making
14 these determinations, the required State Unfunded Liability
15 Amortization Payment shall be calculated each year on a level
16 dollar basis, and shall be determined using actuarially
17 acceptable practices and shall be consistent with requirements
18 set forth elsewhere in the Illinois Pension Code.

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

23 Amounts received by the System pursuant to Section 25 of
24 the Budget Stabilization Act or Section 8.12 of the State
25 Finance Act in any fiscal year do not reduce and do not
26 constitute payment of any portion of the minimum State

1 contribution required under this Article in that fiscal year.
2 Such amounts shall not reduce, and shall not be included in the
3 calculation of, the required State contributions under this
4 Article in any future year until the System has reached a
5 funding ratio of at least 80% ~~90%~~. A reference in this Article
6 to the "required State contribution" or any substantially
7 similar term does not include or apply to any amounts payable
8 to the System under Section 25 of the Budget Stabilization Act.

9 Notwithstanding any other provision of this Code or the
10 Budget Stabilization Act, amounts transferred to the System
11 pursuant to the Budget Stabilization Act after the effective
12 date of this amendatory Act of the 98th General Assembly do not
13 reduce and do not constitute payment of any portion of the
14 required State contribution under this Article in that fiscal
15 year. Such amounts shall not reduce, and shall not be included
16 in the calculation of, the required State contributions under
17 this Article in any future year until the System has received
18 payment of contributions pursuant to the Budget Stabilization
19 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 through State
23 fiscal year 2013, as calculated under this Section and
24 certified under Section 15-165, shall not exceed an amount
25 equal to (i) the amount of the required State contribution that
26 would have been calculated under this Section for that fiscal

1 year if the System had not received any payments under
2 subsection (d) of Section 7.2 of the General Obligation Bond
3 Act, minus (ii) the portion of the State's total debt service
4 payments for that fiscal year on the bonds issued in fiscal
5 year 2003 for the purposes of that Section 7.2, as determined
6 and certified by the Comptroller, that is the same as the
7 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 (b) If an employee is paid from trust or federal funds, the
20 employer shall pay to the Board contributions from those funds
21 which are sufficient to cover the accruing normal costs on
22 behalf of the employee. However, universities having employees
23 who are compensated out of local auxiliary funds, income funds,
24 or service enterprise funds are not required to pay such
25 contributions on behalf of those employees. The local auxiliary
26 funds, income funds, and service enterprise funds of

1 universities shall not be considered trust funds for the
2 purpose of this Article, but funds of alumni associations,
3 foundations, and athletic associations which are affiliated
4 with the universities included as employers under this Article
5 and other employers which do not receive State appropriations
6 are considered to be trust funds for the purpose of this
7 Article.

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

21 (c) Through State fiscal year 1995: The total employer
22 contribution shall be apportioned among the various funds of
23 the State and other employers, whether trust, federal, or other
24 funds, in accordance with actuarial procedures approved by the
25 Board. State of Illinois contributions for employers receiving
26 State appropriations for personal services shall be payable

1 from appropriations made to the employers or to the System. The
2 contributions for Class I community colleges covering earnings
3 other than those paid from trust and federal funds, shall be
4 payable solely from appropriations to the Illinois Community
5 College Board or the System for employer contributions.

6 (d) Beginning in State fiscal year 1996, the required State
7 contributions to the System shall be appropriated directly to
8 the System and shall be payable through vouchers issued in
9 accordance with subsection (c) of Section 15-165, except as
10 provided in subsection (g).

11 (e) The State Comptroller shall draw warrants payable to
12 the System upon proper certification by the System or by the
13 employer in accordance with the appropriation laws and this
14 Code.

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

23 (g) If the amount of a participant's earnings for any
24 academic year used to determine the final rate of earnings,
25 determined on a full-time equivalent basis, exceeds the amount
26 of his or her earnings with the same employer for the previous

1 academic year, determined on a full-time equivalent basis, by
2 more than 6%, the participant's employer shall pay to the
3 System, in addition to all other payments required under this
4 Section and in accordance with guidelines established by the
5 System, the present value of the increase in benefits resulting
6 from the portion of the increase in earnings that is in excess
7 of 6%. This present value shall be computed by the System on
8 the basis of the actuarial assumptions and tables used in the
9 most recent actuarial valuation of the System that is available
10 at the time of the computation. The System may require the
11 employer to provide any pertinent information or
12 documentation.

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

1 appropriate, recalculate the amount due.

2 The employer contributions required under this subsection
3 (g) ~~(f)~~ may be paid in the form of a lump sum within 90 days
4 after receipt of the bill. If the employer contributions are
5 not paid within 90 days after receipt of the bill, then
6 interest will be charged at a rate equal to the System's annual
7 actuarially assumed rate of return on investment compounded
8 annually from the 91st day after receipt of the bill. Payments
9 must be concluded within 3 years after the employer's receipt
10 of the bill.

11 (h) This subsection (h) applies only to payments made or
12 salary increases given on or after June 1, 2005 but before July
13 1, 2011. The changes made by Public Act 94-1057 shall not
14 require the System to refund any payments received before July
15 31, 2006 (the effective date of Public Act 94-1057).

16 When assessing payment for any amount due under subsection
17 (g), the System shall exclude earnings increases paid to
18 participants under contracts or collective bargaining
19 agreements entered into, amended, or renewed before June 1,
20 2005.

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

25 When assessing payment for any amount due under subsection
26 (g), the System shall exclude earnings increases resulting from

1 overload work, including a contract for summer teaching, or
2 overtime when the employer has certified to the System, and the
3 System has approved the certification, that: (i) in the case of
4 overloads (A) the overload work is for the sole purpose of
5 academic instruction in excess of the standard number of
6 instruction hours for a full-time employee occurring during the
7 academic year that the overload is paid and (B) the earnings
8 increases are equal to or less than the rate of pay for
9 academic instruction computed using the participant's current
10 salary rate and work schedule; and (ii) in the case of
11 overtime, the overtime was necessary for the educational
12 mission.

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

1 (i) When assessing payment for any amount due under
2 subsection (g), the System shall exclude any salary increase
3 described in subsection (h) 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 (g) of this Section.

11 (j) 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 (k) The Illinois Community College Board shall adopt rules

1 for recommending lists of promotional positions submitted to
2 the Board by community colleges and for reviewing the
3 promotional lists on an annual basis. When recommending
4 promotional lists, the Board shall consider the similarity of
5 the positions submitted to those positions recognized for State
6 universities by the State Universities Civil Service System.
7 The Illinois Community College Board shall file a copy of its
8 findings with the System. The System shall consider the
9 findings of the Illinois Community College Board when making
10 determinations under this Section. The System shall not exclude
11 any earnings increases resulting from a promotion when the
12 promotion was not submitted by a community college. Nothing in
13 this subsection (k) shall require any community college to
14 submit any information to the Community College Board.

15 (l) For purposes of determining the required State
16 contribution to the System, the value of the System's assets
17 shall be equal to the actuarial value of the System's assets,
18 which shall be calculated as follows:

19 As of June 30, 2008, the actuarial value of the System's
20 assets shall be equal to the market value of the assets as of
21 that date. In determining the actuarial value of the System's
22 assets for fiscal years after June 30, 2008, any actuarial
23 gains or losses from investment return incurred in a fiscal
24 year shall be recognized in equal annual amounts over the
25 5-year period following that fiscal year.

26 (m) For purposes of determining the required State

1 contribution to the system for a particular year, the actuarial
2 value of assets shall be assumed to earn a rate of return equal
3 to the system's actuarially assumed rate of return.

4 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
5 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
6 7-13-12; revised 10-17-12.)

7 (40 ILCS 5/15-156) (from Ch. 108 1/2, par. 15-156)

8 Sec. 15-156. Obligations of State; funding guarantees.

9 (a) The payment of (1) the required State contributions,
10 (2) all benefits granted under this system and (3) all expenses
11 in connection with the administration and operation thereof are
12 obligations of the State of Illinois to the extent specified in
13 this Article. The accumulated employee normal, additional and
14 survivors insurance contributions credited to the accounts of
15 active and inactive participants shall not be used to pay the
16 State's share of the obligations.

17 (b) Beginning July 1, 2013, the State shall be
18 contractually obligated to contribute to the System under
19 Section 15-155 in each State fiscal year an amount not less
20 than the sum of (i) the State's normal cost for that year and
21 (ii) the System Unfunded Liability Amortization Payment for
22 that year as determined under Section 15-155. The obligations
23 created under this subsection (b) are contractual obligations
24 protected and enforceable under Article I, Section 16 and
25 Article XIII, Section 5 of the Illinois Constitution.

1 Notwithstanding any other provision of law, if the State
2 fails to pay in a State fiscal year the amount guaranteed under
3 this subsection, the System may bring a mandamus action in the
4 Circuit Court of Sangamon County to compel the State to make
5 that payment, irrespective of other remedies that may be
6 available to the System. In ordering the State to make the
7 required payment, the court may order a reasonable payment
8 schedule to enable the State to make the required payment
9 without significantly imperiling the public health, safety, or
10 welfare.

11 Any payments required to be made by the State pursuant to
12 this subsection (b) are expressly subordinated to the payment
13 of the principal, interest, and premium, if any, on any bonded
14 debt obligation of the State or any other State-created entity,
15 either currently outstanding or to be issued, for which the
16 source of repayment or security thereon is derived directly or
17 indirectly from tax revenues collected by the State or any
18 other State-created entity. Payments on such bonded
19 obligations include any statutory fund transfers or other
20 prefunding mechanisms or formulas set forth, now or hereafter,
21 in State law or bond indentures, into debt service funds or
22 accounts of the State related to such bonded obligations,
23 consistent with the payment schedules associated with such
24 obligations.

25 (Source: P.A. 83-1440.)

1 (40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)
2 Sec. 15-165. To certify amounts and submit vouchers.

3 (a) The Board shall certify to the Governor on or before
4 November 15 of each year until November 15, 2011 the
5 appropriation required from State funds for the purposes of
6 this System for the following fiscal year. The certification
7 under this subsection (a) shall include a copy of the actuarial
8 recommendations upon which it is based and shall specifically
9 identify the System's projected State normal cost for that
10 fiscal year and the projected State cost for the self-managed
11 plan for that fiscal year.

12 On or before May 1, 2004, the Board shall recalculate and
13 recertify to the Governor the amount of the required State
14 contribution to the System for State fiscal year 2005, taking
15 into account the amounts appropriated to and received by the
16 System under subsection (d) of Section 7.2 of the General
17 Obligation Bond Act.

18 On or before July 1, 2005, the Board shall recalculate and
19 recertify to the Governor the amount of the required State
20 contribution to the System for State fiscal year 2006, taking
21 into account the changes in required State contributions made
22 by this amendatory Act of the 94th General Assembly.

23 On or before April 1, 2011, the Board shall recalculate and
24 recertify to the Governor the amount of the required State
25 contribution to the System for State fiscal year 2011, applying
26 the changes made by Public Act 96-889 to the System's assets

1 and liabilities as of June 30, 2009 as though Public Act 96-889
2 was approved on that date.

3 On or before July 1, 2013, the Board shall recalculate and
4 recertify to the Governor and to each department the amount of
5 the required State contribution to the System and the required
6 rates for State contributions to the System for State fiscal
7 year 2014, taking into account the changes in required State
8 contributions made by this amendatory Act of the 98th General
9 Assembly.

10 (a-5) On or before November 1 of each year, beginning
11 November 1, 2012, the Board shall submit to the State Actuary,
12 the Governor, and the General Assembly a proposed certification
13 of the amount of the required State contribution to the System
14 for the next fiscal year, along with all of the actuarial
15 assumptions, calculations, and data upon which that proposed
16 certification is based. On or before January 1 of each year,
17 beginning January 1, 2013, the State Actuary shall issue a
18 preliminary report concerning the proposed certification and
19 identifying, if necessary, recommended changes in actuarial
20 assumptions that the Board must consider before finalizing its
21 certification of the required State contributions. On or before
22 January 15, 2013 and each January 15 thereafter, the Board
23 shall certify to the Governor and the General Assembly the
24 amount of the required State contribution for the next fiscal
25 year. The Board's certification must note, in a written
26 response to the State Actuary, any deviations from the State

1 Actuary's recommended changes, the reason or reasons for not
2 following the State Actuary's recommended changes, and the
3 fiscal impact of not following the State Actuary's recommended
4 changes on the required State contribution.

5 (b) The Board shall certify to the State Comptroller or
6 employer, as the case may be, from time to time, by its
7 president and secretary, with its seal attached, the amounts
8 payable to the System from the various funds.

9 (c) Beginning in State fiscal year 1996, on or as soon as
10 possible after the 15th day of each month the Board shall
11 submit vouchers for payment of State contributions to the
12 System, in a total monthly amount of one-twelfth of the
13 required annual State contribution certified under subsection
14 (a). From the effective date of this amendatory Act of the 93rd
15 General Assembly through June 30, 2004, the Board shall not
16 submit vouchers for the remainder of fiscal year 2004 in excess
17 of the fiscal year 2004 certified contribution amount
18 determined under this Section after taking into consideration
19 the transfer to the System under subsection (b) of Section
20 6z-61 of the State Finance Act. These vouchers shall be paid by
21 the State Comptroller and Treasurer by warrants drawn on the
22 funds appropriated to the System for that fiscal year.

23 If in any month the amount remaining unexpended from all
24 other appropriations to the System for the applicable fiscal
25 year (including the appropriations to the System under Section
26 8.12 of the State Finance Act and Section 1 of the State

1 Pension Funds Continuing Appropriation Act) is less than the
2 amount lawfully vouchered under this Section, the difference
3 shall be paid from the General Revenue Fund under the
4 continuing appropriation authority provided in Section 1.1 of
5 the State Pension Funds Continuing Appropriation Act.

6 (d) So long as the payments received are the full amount
7 lawfully vouchered under this Section, payments received by the
8 System under this Section shall be applied first toward the
9 employer contribution to the self-managed plan established
10 under Section 15-158.2. Payments shall be applied second toward
11 the employer's portion of the normal costs of the System, as
12 defined in subsection (f) of Section 15-155. The balance shall
13 be applied toward the unfunded actuarial liabilities of the
14 System.

15 (e) In the event that the System does not receive, as a
16 result of legislative enactment or otherwise, payments
17 sufficient to fully fund the employer contribution to the
18 self-managed plan established under Section 15-158.2 and to
19 fully fund that portion of the employer's portion of the normal
20 costs of the System, as calculated in accordance with Section
21 15-155(a-1), then any payments received shall be applied
22 proportionately to the optional retirement program established
23 under Section 15-158.2 and to the employer's portion of the
24 normal costs of the System, as calculated in accordance with
25 Section 15-155(a-1).

26 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;

1 97-694, eff. 6-18-12.)

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

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

5 (a) The State shall make contributions to the System by
6 means of appropriations from the Common School Fund and other
7 State funds of amounts which, together with other employer
8 contributions, employee contributions, investment income, and
9 other income, will be sufficient to meet the cost of
10 maintaining and administering the System on at least an 80% ~~a~~
11 ~~90%~~ funded basis in accordance with actuarial recommendations.

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

17 (a-1) Annually, on or before November 15 until November 15,
18 2011, the Board shall certify to the Governor the amount of the
19 required State contribution for the coming fiscal year. The
20 certification under this subsection (a-1) shall include a copy
21 of the actuarial recommendations upon which it is based and
22 shall specifically identify the System's projected State
23 normal cost for that fiscal year.

24 On or before May 1, 2004, the Board shall recalculate and
25 recertify to the Governor the amount of the required State

1 contribution to the System for State fiscal year 2005, taking
2 into account the amounts appropriated to and received by the
3 System under subsection (d) of Section 7.2 of the General
4 Obligation Bond Act.

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

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

16 On or before July 1, 2013, the Board shall recalculate and
17 recertify to the Governor and to each department the amount of
18 the required State contribution to the System and the required
19 rates for State contributions to the System for State fiscal
20 year 2014, taking into account the changes in required State
21 contributions made by this amendatory Act of the 98th General
22 Assembly.

23 (a-5) On or before November 1 of each year, beginning
24 November 1, 2012, the Board shall submit to the State Actuary,
25 the Governor, and the General Assembly a proposed certification
26 of the amount of the required State contribution to the System

1 for the next fiscal year, along with all of the actuarial
2 assumptions, calculations, and data upon which that proposed
3 certification is based. On or before January 1 of each year,
4 beginning January 1, 2013, the State Actuary shall issue a
5 preliminary report concerning the proposed certification and
6 identifying, if necessary, recommended changes in actuarial
7 assumptions that the Board must consider before finalizing its
8 certification of the required State contributions. On or before
9 January 15, 2013 and each January 15 thereafter, the Board
10 shall certify to the Governor and the General Assembly the
11 amount of the required State contribution for the next fiscal
12 year. The Board's certification must note any deviations from
13 the State Actuary's recommended changes, the reason or reasons
14 for not following the State Actuary's recommended changes, and
15 the fiscal impact of not following the State Actuary's
16 recommended changes on the required State contribution.

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

20 (b-1) Beginning in State fiscal year 1996, on the 15th day
21 of each month, or as soon thereafter as may be practicable, the
22 Board shall submit vouchers for payment of State contributions
23 to the System, in a total monthly amount of one-twelfth of the
24 required annual State contribution certified under subsection
25 (a-1). From the effective date of this amendatory Act of the
26 93rd General Assembly through June 30, 2004, the Board shall

1 not submit vouchers for the remainder of fiscal year 2004 in
2 excess of the fiscal year 2004 certified contribution amount
3 determined under this Section after taking into consideration
4 the transfer to the System under subsection (a) of Section
5 6z-61 of the State Finance Act. These vouchers shall be paid by
6 the State Comptroller and Treasurer by warrants drawn on the
7 funds appropriated to the System for that fiscal year.

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

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

20 (b-3) For State fiscal years 2014 through 2057, the minimum
21 contribution to the System to be made by the State for each
22 fiscal year shall be the sum of (1) the State's portion of the
23 projected normal cost for that fiscal year, plus (2) the
24 "Retirement System Unfunded Liability Amortization Payment" as
25 in this Section. For purposes of this Article, the term "Base
26 Retirement System Unfunded Liability Amortization Payment"

1 shall mean the dollar amount which is sufficient to amortize
2 80% of the present value of the unfunded liability, calculated
3 using the actuarial value of assets that existed on June 30,
4 2012 (the "Retirement System Principal"), in 45 equal annual
5 installments of principal and interest, with the interest
6 calculated at 8% (the "Retirement System Applicable Rate"),
7 commencing in fiscal year 2014 and continuing until and
8 including fiscal year 2057. If at any time the investment rate
9 assumption for the Retirement System is changed from 8% (or any
10 subsequent Retirement System applicable rates percentage
11 determined under this Section), then commencing in the fiscal
12 year of such change (i) the Retirement System applicable rate
13 shall be changed to comport with such new investment rate
14 assumption; and (ii) (1) the Retirement System Unfunded
15 Liability Amortization Payment shall be changed to that amount
16 which will amortize the then remaining unpaid portion of the
17 Retirement System Principal (2) commencing in the then current
18 fiscal year and continuing in equal annual installments through
19 and including fiscal year 2057, together with interest computed
20 at such new investment rate assumption. The initial Base
21 Retirement System Unfunded Liability Amortization Payment
22 shall annually be \$3,427,920,000. Beginning July 1, 2014
23 through June 30, 2057 if new unfunded liabilities should arise
24 the State's total contribution to the System shall be increased
25 so that the new unfunded liability is amortized over a period
26 of 30 years on a level dollar basis.

1 For State fiscal years 2012 and 2013 ~~through 2045~~, the
2 minimum contribution to the System to be made by the State for
3 each fiscal year shall be an amount determined by the System to
4 be sufficient to bring the total assets of the System up to 90%
5 of the total actuarial liabilities of the System by the end of
6 State fiscal year 2045. In making these determinations, the
7 required State contribution shall be calculated each year as a
8 level percentage of payroll over the years remaining to and
9 including fiscal year 2045 and shall be determined under the
10 projected unit credit actuarial cost method.

11 For State fiscal years 1996 through 2005, the State
12 contribution to the System, as a percentage of the applicable
13 employee payroll, shall be increased in equal annual increments
14 so that by State fiscal year 2011, the State is contributing at
15 the rate required under this Section; except that in the
16 following specified State fiscal years, the State contribution
17 to the System shall not be less than the following indicated
18 percentages of the applicable employee payroll, even if the
19 indicated percentage will produce a State contribution in
20 excess of the amount otherwise required under this subsection
21 and subsection (a), and notwithstanding any contrary
22 certification made under subsection (a-1) before the effective
23 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
24 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
25 2003; and 13.56% in FY 2004.

26 Notwithstanding any other provision of this Article, the

1 total required State contribution for State fiscal year 2006 is
2 \$534,627,700.

3 Notwithstanding any other provision of this Article, the
4 total required State contribution for State fiscal year 2007 is
5 \$738,014,500.

6 For each of State fiscal years 2008 through 2009, the State
7 contribution to the System, as a percentage of the applicable
8 employee payroll, shall be increased in equal annual increments
9 from the required State contribution for State fiscal year
10 2007, so that by State fiscal year 2011, the State is
11 contributing at the rate otherwise required under this Section.

12 Notwithstanding any other provision of this Article, the
13 total required State contribution for State fiscal year 2010 is
14 \$2,089,268,000 and shall be made from the proceeds of bonds
15 sold in fiscal year 2010 pursuant to Section 7.2 of the General
16 Obligation Bond Act, less (i) the pro rata share of bond sale
17 expenses determined by the System's share of total bond
18 proceeds, (ii) any amounts received from the Common School Fund
19 in fiscal year 2010, and (iii) any reduction in bond proceeds
20 due to the issuance of discounted bonds, if applicable.

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2011 is
23 the amount recertified by the System on or before April 1, 2011
24 pursuant to subsection (a-1) of this Section and shall be made
25 from the proceeds of bonds sold in fiscal year 2011 pursuant to
26 Section 7.2 of the General Obligation Bond Act, less (i) the

1 pro rata share of bond sale expenses determined by the System's
2 share of total bond proceeds, (ii) any amounts received from
3 the Common School Fund in fiscal year 2011, and (iii) any
4 reduction in bond proceeds due to the issuance of discounted
5 bonds, if applicable. This amount shall include, in addition to
6 the amount certified by the System, an amount necessary to meet
7 employer contributions required by the State as an employer
8 under paragraph (e) of this Section, which may also be used by
9 the System for contributions required by paragraph (a) of
10 Section 16-127.

11 Beginning in State fiscal year 2058, the minimum
12 contribution to the System to be made by the State for each
13 fiscal year shall be the sum of (1) the State's portion of the
14 projected normal cost for that fiscal year, plus (2) the "State
15 New Unfunded Liability Amortization Payment" as defined in this
16 Section. In fiscal year 2058 and thereafter, State Unfunded
17 Liability Amortization shall be an amount sufficient to
18 amortize any unfunded liabilities over 30 years. In making
19 these determinations, the required State Unfunded Liability
20 Amortization Payment shall be calculated each year on a level
21 dollar basis, and shall be determined using actuarially
22 acceptable practices and shall be consistent with requirements
23 set forth elsewhere in the Illinois Pension Code.

24 ~~Beginning in State fiscal year 2046, the minimum State~~
25 ~~contribution for each fiscal year shall be the amount needed to~~
26 ~~maintain the total assets of the System at 90% of the total~~

1 ~~actuarial liabilities of the System.~~

2 Amounts received by the System pursuant to Section 25 of
3 the Budget Stabilization Act or Section 8.12 of the State
4 Finance Act in any fiscal year do not reduce and do not
5 constitute payment of any portion of the minimum State
6 contribution required under this Article in that fiscal year.
7 Such amounts shall not reduce, and shall not be included in the
8 calculation of, the required State contributions under this
9 Article in any future year until the System has reached a
10 funding ratio of at least 80% ~~90%~~. A reference in this Article
11 to the "required State contribution" or any substantially
12 similar term does not include or apply to any amounts payable
13 to the System under Section 25 of the Budget Stabilization Act.

14 Notwithstanding any other provision of this Code or the
15 Budget Stabilization Act, amounts transferred to the System
16 pursuant to the Budget Stabilization Act after the effective
17 date of this amendatory Act of the 98th General Assembly do not
18 reduce and do not constitute payment of any portion of the
19 required State contribution under this Article in that fiscal
20 year. Such amounts shall not reduce, and shall not be included
21 in the calculation of, the required State contributions under
22 this Article in any future year until the System has received
23 payment of contributions pursuant to the Budget Stabilization
24 Act.

25 Notwithstanding any other provision of this Section, the
26 required State contribution for State fiscal year 2005 and for

1 fiscal year 2008 and each fiscal year thereafter through State
2 fiscal year 2013, as calculated under this Section and
3 certified under subsection (a-1), shall not exceed an amount
4 equal to (i) the amount of the required State contribution that
5 would have been calculated under this Section for that fiscal
6 year if the System had not received any payments under
7 subsection (d) of Section 7.2 of the General Obligation Bond
8 Act, minus (ii) the portion of the State's total debt service
9 payments for that fiscal year on the bonds issued in fiscal
10 year 2003 for the purposes of that Section 7.2, as determined
11 and certified by the Comptroller, that is the same as the
12 System's portion of the total moneys distributed under
13 subsection (d) of Section 7.2 of the General Obligation Bond
14 Act. In determining this maximum for State fiscal years 2008
15 through 2010, however, the amount referred to in item (i) shall
16 be increased, as a percentage of the applicable employee
17 payroll, in equal increments calculated from the sum of the
18 required State contribution for State fiscal year 2007 plus the
19 applicable portion of the State's total debt service payments
20 for fiscal year 2007 on the bonds issued in fiscal year 2003
21 for the purposes of Section 7.2 of the General Obligation Bond
22 Act, so that, by State fiscal year 2011, the State is
23 contributing at the rate otherwise required under this Section.

24 (c) Payment of the required State contributions and of all
25 pensions, retirement annuities, death benefits, refunds, and
26 other benefits granted under or assumed by this System, and all

1 expenses in connection with the administration and operation
2 thereof, are obligations of the State.

3 If members are paid from special trust or federal funds
4 which are administered by the employing unit, whether school
5 district or other unit, the employing unit shall pay to the
6 System from such funds the full accruing retirement costs based
7 upon that service, as determined by the System. Employer
8 contributions, based on salary paid to members from federal
9 funds, may be forwarded by the distributing agency of the State
10 of Illinois to the System prior to allocation, in an amount
11 determined in accordance with guidelines established by such
12 agency and the System.

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

20 However, with respect to benefits granted under Section
21 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
22 of Section 16-106, the employer's contribution shall be 12%
23 (rather than 20%) of the member's highest annual salary rate
24 for each year of creditable service granted, and the employer
25 shall also pay the required employee contribution on behalf of
26 the teacher. For the purposes of Sections 16-133.4 and

1 16-133.5, a teacher as defined in paragraph (8) of Section
2 16-106 who is serving in that capacity while on leave of
3 absence from another employer under this Article shall not be
4 considered an employee of the employer from which the teacher
5 is on leave.

6 (e) Beginning July 1, 1998, every employer of a teacher
7 shall pay to the System an employer contribution computed as
8 follows:

9 (1) Beginning July 1, 1998 through June 30, 1999, the
10 employer contribution shall be equal to 0.3% of each
11 teacher's salary.

12 (2) Beginning July 1, 1999 and thereafter, the employer
13 contribution shall be equal to 0.58% of each teacher's
14 salary.

15 The school district or other employing unit may pay these
16 employer contributions out of any source of funding available
17 for that purpose and shall forward the contributions to the
18 System on the schedule established for the payment of member
19 contributions.

20 These employer contributions are intended to offset a
21 portion of the cost to the System of the increases in
22 retirement benefits resulting from this amendatory Act of 1998.

23 Each employer of teachers is entitled to a credit against
24 the contributions required under this subsection (e) with
25 respect to salaries paid to teachers for the period January 1,
26 2002 through June 30, 2003, equal to the amount paid by that

1 employer under subsection (a-5) of Section 6.6 of the State
2 Employees Group Insurance Act of 1971 with respect to salaries
3 paid to teachers for that period.

4 The additional 1% employee contribution required under
5 Section 16-152 by this amendatory Act of 1998 is the
6 responsibility of the teacher and not the teacher's employer,
7 unless the employer agrees, through collective bargaining or
8 otherwise, to make the contribution on behalf of the teacher.

9 If an employer is required by a contract in effect on May
10 1, 1998 between the employer and an employee organization to
11 pay, on behalf of all its full-time employees covered by this
12 Article, all mandatory employee contributions required under
13 this Article, then the employer shall be excused from paying
14 the employer contribution required under this subsection (e)
15 for the balance of the term of that contract. The employer and
16 the employee organization shall jointly certify to the System
17 the existence of the contractual requirement, in such form as
18 the System may prescribe. This exclusion shall cease upon the
19 termination, extension, or renewal of the contract at any time
20 after May 1, 1998.

21 (f) If the amount of a teacher's salary for any school year
22 used to determine final average salary exceeds the member's
23 annual full-time salary rate with the same employer for the
24 previous school year by more than 6%, the teacher's employer
25 shall pay to the System, in addition to all other payments
26 required under this Section and in accordance with guidelines

1 established by the System, the present value of the increase in
2 benefits resulting from the portion of the increase in salary
3 that is in excess of 6%. This present value shall be computed
4 by the System on the basis of the actuarial assumptions and
5 tables used in the most recent actuarial valuation of the
6 System that is available at the time of the computation. If a
7 teacher's salary for the 2005-2006 school year is used to
8 determine final average salary under this subsection (f), then
9 the changes made to this subsection (f) by Public Act 94-1057
10 shall apply in calculating whether the increase in his or her
11 salary is in excess of 6%. For the purposes of this Section,
12 change in employment under Section 10-21.12 of the School Code
13 on or after June 1, 2005 shall constitute a change in employer.
14 The System may require the employer to provide any pertinent
15 information or documentation. The changes made to this
16 subsection (f) by this amendatory Act of the 94th General
17 Assembly apply without regard to whether the teacher was in
18 service on or after its effective date.

19 Whenever it determines that a payment is or may be required
20 under this subsection, the System shall calculate the amount of
21 the payment and bill the employer for that amount. The bill
22 shall specify the calculations used to determine the amount
23 due. If the employer disputes the amount of the bill, it may,
24 within 30 days after receipt of the bill, apply to the System
25 in writing for a recalculation. The application must specify in
26 detail the grounds of the dispute and, if the employer asserts

1 that the calculation is subject to subsection (g) or (h) of
2 this Section, must include an affidavit setting forth and
3 attesting to all facts within the employer's knowledge that are
4 pertinent to the applicability of that subsection. Upon
5 receiving a timely application for recalculation, the System
6 shall review the application and, if appropriate, recalculate
7 the amount due.

8 The employer contributions required under this subsection
9 (f) may be paid in the form of a lump sum within 90 days after
10 receipt of the bill. If the employer contributions are not paid
11 within 90 days after receipt of the bill, then interest will be
12 charged at a rate equal to the System's annual actuarially
13 assumed rate of return on investment compounded annually from
14 the 91st day after receipt of the bill. Payments must be
15 concluded within 3 years after the employer's receipt of the
16 bill.

17 (g) This subsection (g) applies only to payments made or
18 salary increases given on or after June 1, 2005 but before July
19 1, 2011. The changes made by Public Act 94-1057 shall not
20 require the System to refund any payments received before July
21 31, 2006 (the effective date of Public Act 94-1057).

22 When assessing payment for any amount due under subsection
23 (f), the System shall exclude salary increases paid to teachers
24 under contracts or collective bargaining agreements entered
25 into, amended, or renewed before June 1, 2005.

26 When assessing payment for any amount due under subsection

1 (f), the System shall exclude salary increases paid to a
2 teacher at a time when the teacher is 10 or more years from
3 retirement eligibility under Section 16-132 or 16-133.2.

4 When assessing payment for any amount due under subsection
5 (f), the System shall exclude salary increases resulting from
6 overload work, including summer school, when the school
7 district has certified to the System, and the System has
8 approved the certification, that (i) the overload work is for
9 the sole purpose of classroom instruction in excess of the
10 standard number of classes for a full-time teacher in a school
11 district during a school year and (ii) the salary increases are
12 equal to or less than the rate of pay for classroom instruction
13 computed on the teacher's current salary and work schedule.

14 When assessing payment for any amount due under subsection
15 (f), the System shall exclude a salary increase resulting from
16 a promotion (i) for which the employee is required to hold a
17 certificate or supervisory endorsement issued by the State
18 Teacher Certification Board that is a different certification
19 or supervisory endorsement than is required for the teacher's
20 previous position and (ii) to a position that has existed and
21 been filled by a member for no less than one complete academic
22 year and the salary increase from the promotion is an increase
23 that results in an amount no greater than the lesser of the
24 average salary paid for other similar positions in the district
25 requiring the same certification or the amount stipulated in
26 the collective bargaining agreement for a similar position

1 requiring the same certification.

2 When assessing payment for any amount due under subsection
3 (f), the System shall exclude any payment to the teacher from
4 the State of Illinois or the State Board of Education over
5 which the employer does not have discretion, notwithstanding
6 that the payment is included in the computation of final
7 average salary.

8 (h) When assessing payment for any amount due under
9 subsection (f), the System shall exclude any salary increase
10 described in subsection (g) of this Section given on or after
11 July 1, 2011 but before July 1, 2014 under a contract or
12 collective bargaining agreement entered into, amended, or
13 renewed on or after June 1, 2005 but before July 1, 2011.
14 Notwithstanding any other provision of this Section, any
15 payments made or salary increases given after June 30, 2014
16 shall be used in assessing payment for any amount due under
17 subsection (f) of this Section.

18 (i) The System shall prepare a report and file copies of
19 the report with the Governor and the General Assembly by
20 January 1, 2007 that contains all of the following information:

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

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

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

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

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

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

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

22 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
23 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff.
24 6-18-12; 97-813, eff. 7-13-12.)

25 (40 ILCS 5/16-158.2 new)

1 Sec. 16-158.2. Obligations of State; funding guarantee.

2 Beginning July 1, 2013, the State shall be contractually
3 obligated to contribute to the System under Section 16-158 in
4 each State fiscal year an amount not less than the sum of (i)
5 the State's normal cost for that year and (ii) the Retirement
6 System Unfunded Liability Amortization Payment for that year as
7 determined under Section 16-158. The obligations created under
8 this subsection (b) are contractual obligations protected and
9 enforceable under Article I, Section 16 and Article XIII,
10 Section 5 of the Illinois Constitution.

11 Notwithstanding any other provision of law, if the State
12 fails to pay in a State fiscal year the amount guaranteed under
13 this subsection, the System may bring a mandamus action in the
14 Circuit Court of Sangamon County to compel the State to make
15 that payment, irrespective of other remedies that may be
16 available to the System. In ordering the State to make the
17 required payment, the court may order a reasonable payment
18 schedule to enable the State to make the required payment
19 without significantly imperiling the public health, safety, or
20 welfare.

21 Any payments required to be made by the State pursuant to
22 this Section are expressly subordinated to the payment of the
23 principal, interest, and premium, if any, on any bonded debt
24 obligation of the State or any other State-created entity,
25 either currently outstanding or to be issued, for which the
26 source of repayment or security thereon is derived directly or

1 indirectly from tax revenues collected by the State or any
2 other State-created entity. Payments on such bonded
3 obligations include any statutory fund transfers or other
4 prefunding mechanisms or formulas set forth, now or hereafter,
5 in State law or bond indentures, into debt service funds or
6 accounts of the State related to such bonded obligations,
7 consistent with the payment schedules associated with such
8 obligations.

9 (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

10 Sec. 18-131. Financing; employer contributions.

11 (a) The State of Illinois shall make contributions to this
12 System by appropriations of the amounts which, together with
13 the contributions of participants, net earnings on
14 investments, and other income, will meet the costs of
15 maintaining and administering this System on at least an 80% ~~a~~
16 ~~90%~~ funded basis in accordance with actuarial recommendations.

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

22 (c) For State fiscal years 2014 through 2057, the minimum
23 contribution to the System to be made by the State for each
24 fiscal year shall be the sum of (1) the State's portion of the
25 projected normal cost for that fiscal year, plus (2) the

1 "System Unfunded Liability Amortization Payment" as in this
2 Section. For purposes of this Article, the term "Base System
3 Unfunded Liability Amortization Payment" shall mean the dollar
4 amount which is sufficient to amortize 80% of the present value
5 of the unfunded liability, calculated using the actuarial value
6 of assets that existed on June 30, 2012 (the "System
7 Principal"), in 45 equal annual installments of principal and
8 interest, with the interest calculated at 7% (the "System
9 Applicable Rate"), commencing in fiscal year 2014 and
10 continuing until and including fiscal year 2057. If at any time
11 the investment rate assumption for the System is changed from
12 7% (or any subsequent System applicable rates percentage
13 determined under this Section), then commencing in the fiscal
14 year of such change (i) the System applicable rate shall be
15 changed to comport with such new investment rate assumption;
16 and (ii) (1) the System Unfunded Liability Amortization Payment
17 shall be changed to that amount which will amortize the then
18 remaining unpaid portion of the System Principal (2) commencing
19 in the then current fiscal year and continuing in equal annual
20 installments through and including fiscal year 2057, together
21 with interest computed at such new investment rate assumption.
22 The initial Base System Unfunded Liability Amortization
23 Payment shall annually be \$83,160,000. Beginning July 1, 2014
24 through June 30, 2057 if new unfunded liabilities should arise
25 the State's total contribution to the System shall be increased
26 so that the new unfunded liability is amortized over a period

1 of 30 years on a level dollar basis.

2 For State fiscal years 2012 and 2013 ~~through 2045~~, the
3 minimum contribution to the System to be made by the State for
4 each fiscal year shall be an amount determined by the System to
5 be sufficient to bring the total assets of the System up to 90%
6 of the total actuarial liabilities of the System by the end of
7 State fiscal year 2045. In making these determinations, the
8 required State contribution shall be calculated each year as a
9 level percentage of payroll over the years remaining to and
10 including fiscal year 2045 and shall be determined under the
11 projected unit credit actuarial cost method.

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

17 Notwithstanding any other provision of this Article, the
18 total required State contribution for State fiscal year 2006 is
19 \$29,189,400.

20 Notwithstanding any other provision of this Article, the
21 total required State contribution for State fiscal year 2007 is
22 \$35,236,800.

23 For each of State fiscal years 2008 through 2009, the State
24 contribution to the System, as a percentage of the applicable
25 employee payroll, shall be increased in equal annual increments
26 from the required State contribution for State fiscal year

1 2007, so that by State fiscal year 2011, the State is
2 contributing at the rate otherwise required under this Section.

3 Notwithstanding any other provision of this Article, the
4 total required State contribution for State fiscal year 2010 is
5 \$78,832,000 and shall be made from the proceeds of bonds sold
6 in fiscal year 2010 pursuant to Section 7.2 of the General
7 Obligation Bond Act, less (i) the pro rata share of bond sale
8 expenses determined by the System's share of total bond
9 proceeds, (ii) any amounts received from the General Revenue
10 Fund in fiscal year 2010, and (iii) any reduction in bond
11 proceeds due to the issuance of discounted bonds, if
12 applicable.

13 Notwithstanding any other provision of this Article, the
14 total required State contribution for State fiscal year 2011 is
15 the amount recertified by the System on or before April 1, 2011
16 pursuant to Section 18-140 and shall be made from the proceeds
17 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of
18 the General Obligation Bond Act, less (i) the pro rata share of
19 bond sale expenses determined by the System's share of total
20 bond proceeds, (ii) any amounts received from the General
21 Revenue Fund in fiscal year 2011, and (iii) any reduction in
22 bond proceeds due to the issuance of discounted bonds, if
23 applicable.

24 Beginning in State fiscal year 2058, the minimum
25 contribution to the System to be made by the State for each
26 fiscal year shall be the sum of (1) the State's portion of the

1 projected normal cost for that fiscal year, plus (2) the "State
2 New Unfunded Liability Amortization Payment" as defined in this
3 Section. In fiscal year 2058 and thereafter, State Unfunded
4 Liability Amortization shall be an amount sufficient to
5 amortize any unfunded liabilities over 30 years. In making
6 these determinations, the required State Unfunded Liability
7 Amortization Payment shall be calculated each year on a level
8 dollar basis, and shall be determined using actuarially
9 acceptable practices and shall be consistent with requirements
10 set forth elsewhere in the Illinois Pension Code.

11 ~~Beginning in State fiscal year 2046, the minimum State~~
12 ~~contribution for each fiscal year shall be the amount needed to~~
13 ~~maintain the total assets of the System at 90% of the total~~
14 ~~actuarial liabilities of the System.~~

15 Amounts received by the System pursuant to Section 25 of
16 the Budget Stabilization Act or Section 8.12 of the State
17 Finance Act in any fiscal year do not reduce and do not
18 constitute payment of any portion of the minimum State
19 contribution required under this Article in that fiscal year.
20 Such amounts shall not reduce, and shall not be included in the
21 calculation of, the required State contributions under this
22 Article in any future year until the System has reached a
23 funding ratio of at least 80% ~~90%~~. A reference in this Article
24 to the "required State contribution" or any substantially
25 similar term does not include or apply to any amounts payable
26 to the System under Section 25 of the Budget Stabilization Act.

1 Notwithstanding any other provision of this Code or the
2 Budget Stabilization Act, amounts transferred to the System
3 pursuant to the Budget Stabilization Act after the effective
4 date of this amendatory Act of the 98th General Assembly do not
5 reduce and do not constitute payment of any portion of the
6 required State contribution under this Article in that fiscal
7 year. Such amounts shall not reduce, and shall not be included
8 in the calculation of, the required State contributions under
9 this Article in any future year until the System has received
10 payment of contributions pursuant to the Budget Stabilization
11 Act.

12 Notwithstanding any other provision of this Section, the
13 required State contribution for State fiscal year 2005 and for
14 fiscal year 2008 and each fiscal year thereafter through State
15 fiscal year 2013, as calculated under this Section and
16 certified under Section 18-140, shall not exceed an amount
17 equal to (i) the amount of the required State contribution that
18 would have been calculated under this Section for that fiscal
19 year if the System had not received any payments under
20 subsection (d) of Section 7.2 of the General Obligation Bond
21 Act, minus (ii) the portion of the State's total debt service
22 payments for that fiscal year on the bonds issued in fiscal
23 year 2003 for the purposes of that Section 7.2, as determined
24 and certified by the Comptroller, that is the same as the
25 System's portion of the total moneys distributed under
26 subsection (d) of Section 7.2 of the General Obligation Bond

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

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

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

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

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

1 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
2 7-13-12.)

3 (40 ILCS 5/18-132) (from Ch. 108 1/2, par. 18-132)

4 Sec. 18-132. Obligations of State; funding guarantee.

5 (a) The payment of (1) the required State contributions,
6 (2) all benefits granted under this system and (3) all expenses
7 in connection with the administration and operation thereof are
8 the obligations of the State to the extent specified in this
9 Article.

10 (b) Beginning July 1, 2013, the State shall be
11 contractually obligated to contribute to the System under
12 Section 18-131 in each State fiscal year an amount not less
13 than the sum of (i) the State's normal cost for that year and
14 (ii) the System Unfunded Liability Amortization Payment for
15 that year as determined under Section 18-131. The obligations
16 created under this subsection (b) are contractual obligations
17 protected and enforceable under Article I, Section 16 and
18 Article XIII, Section 5 of the Illinois Constitution.

19 Notwithstanding any other provision of law, if the State
20 fails to pay in a State fiscal year the amount guaranteed under
21 this subsection, the System may bring a mandamus action in the
22 Circuit Court of Sangamon County to compel the State to make
23 that payment, irrespective of other remedies that may be
24 available to the System. In ordering the State to make the
25 required payment, the court may order a reasonable payment

1 schedule to enable the State to make the required payment
2 without significantly imperiling the public health, safety, or
3 welfare.

4 Any payments required to be made by the State pursuant to
5 this subsection (b) are expressly subordinated to the payment
6 of the principal, interest, and premium, if any, on any bonded
7 debt obligation of the State or any other State-created entity,
8 either currently outstanding or to be issued, for which the
9 source of repayment or security thereon is derived directly or
10 indirectly from tax revenues collected by the State or any
11 other State-created entity. Payments on such bonded
12 obligations include any statutory fund transfers or other
13 prefunding mechanisms or formulas set forth, now or hereafter,
14 in State law or bond indentures, into debt service funds or
15 accounts of the State related to such bonded obligations,
16 consistent with the payment schedules associated with such
17 obligations.

18 (Source: P.A. 83-1440.)

19 (40 ILCS 5/18-140) (from Ch. 108 1/2, par. 18-140)

20 Sec. 18-140. To certify required State contributions and
21 submit vouchers.

22 (a) The Board shall certify to the Governor, on or before
23 November 15 of each year until November 15, 2011, the amount of
24 the required State contribution to the System for the following
25 fiscal year and shall specifically identify the System's

1 projected State normal cost for that fiscal year. The
2 certification shall include a copy of the actuarial
3 recommendations upon which it is based and shall specifically
4 identify the System's projected State normal cost for that
5 fiscal year.

6 On or before November 1 of each year, beginning November 1,
7 2012, the Board shall submit to the State Actuary, the
8 Governor, and the General Assembly a proposed certification of
9 the amount of the required State contribution to the System for
10 the next fiscal year, along with all of the actuarial
11 assumptions, calculations, and data upon which that proposed
12 certification is based. On or before January 1 of each year
13 beginning January 1, 2013, the State Actuary shall issue a
14 preliminary report concerning the proposed certification and
15 identifying, if necessary, recommended changes in actuarial
16 assumptions that the Board must consider before finalizing its
17 certification of the required State contributions. On or before
18 January 15, 2013 and every January 15 thereafter, the Board
19 shall certify to the Governor and the General Assembly the
20 amount of the required State contribution for the next fiscal
21 year. The Board's certification must note any deviations from
22 the State Actuary's recommended changes, the reason or reasons
23 for not following the State Actuary's recommended changes, and
24 the fiscal impact of not following the State Actuary's
25 recommended changes on the required State contribution.

26 On or before May 1, 2004, the Board shall recalculate and

1 recertify to the Governor the amount of the required State
2 contribution to the System for State fiscal year 2005, taking
3 into account the amounts appropriated to and received by the
4 System under subsection (d) of Section 7.2 of the General
5 Obligation Bond Act.

6 On or before July 1, 2005, the Board shall recalculate and
7 recertify to the Governor the amount of the required State
8 contribution to the System for State fiscal year 2006, taking
9 into account the changes in required State contributions made
10 by this amendatory Act of the 94th General Assembly.

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

17 On or before July 1, 2013, the Board shall recalculate and
18 recertify to the Governor and to each department the amount of
19 the required State contribution to the System and the required
20 rates for State contributions to the System for State fiscal
21 year 2014, taking into account the changes in required State
22 contributions made by this amendatory Act of the 98th General
23 Assembly.

24 (b) Beginning in State fiscal year 1996, on or as soon as
25 possible after the 15th day of each month the Board shall
26 submit vouchers for payment of State contributions to the

1 System, in a total monthly amount of one-twelfth of the
2 required annual State contribution certified under subsection
3 (a). From the effective date of this amendatory Act of the 93rd
4 General Assembly through June 30, 2004, the Board shall not
5 submit vouchers for the remainder of fiscal year 2004 in excess
6 of the fiscal year 2004 certified contribution amount
7 determined under this Section after taking into consideration
8 the transfer to the System under subsection (c) of Section
9 6z-61 of the State Finance Act. These vouchers shall be paid by
10 the State Comptroller and Treasurer by warrants drawn on the
11 funds appropriated to the System for that fiscal year.

12 If in any month the amount remaining unexpended from all
13 other appropriations to the System for the applicable fiscal
14 year (including the appropriations to the System under Section
15 8.12 of the State Finance Act and Section 1 of the State
16 Pension Funds Continuing Appropriation Act) is less than the
17 amount lawfully vouchered under this Section, the difference
18 shall be paid from the General Revenue Fund under the
19 continuing appropriation authority provided in Section 1.1 of
20 the State Pension Funds Continuing Appropriation Act.

21 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;
22 97-694, eff. 6-18-12.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.

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