

1 AN ACT in relation to education funding.

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

4 Section 5. The State Finance Act is amended by adding  
5 Section 5.545 as follows:

6 (30 ILCS 105/5.545 new)  
7 Sec. 5.545. The Education Property Tax Relief Fund.

8 Section 10. The State Revenue Sharing Act is amended by  
9 adding Section 7 as follows:

10 (30 ILCS 115/7 new)  
11 Sec. 7. Education Property Tax Relief Fund. There is  
12 hereby created the Education Property Tax Relief Fund, a  
13 special fund in the State treasury.

14 For purposes of this Section, "Department" means the  
15 Department of Revenue and "levy year" has the same meaning as  
16 "year" under Section 1-155 of the Property Tax Code.

17 For purposes of this Section, "allocation basis levy  
18 year" is the levy year 2 years prior to the distribution  
19 year.

20 For purposes of this Section, the "operating tax rate"  
21 shall consist of all school district property taxes extended  
22 for all purposes, except community college educational  
23 purposes for the payment of tuition under Section 6-1 of the  
24 Public Community College Act, Bond and Interest, Summer  
25 School, Rent, Capital Improvement, and Vocational Education  
26 Building purposes.

27 By December 1 of each year, beginning December 1, 2001,  
28 the Bureau of the Budget shall certify to the Department of  
29 Revenue its estimate of the funds that will be available for

1 distribution from the Education Property Tax Relief Fund in  
2 the next calendar year.

3 The Department shall determine the amount to be  
4 distributed to the County Treasurer of each county for each  
5 school district subject to the School Code in the county from  
6 the Education Property Tax Relief Fund for each calendar  
7 year, beginning in 2002. On or before January 1, 2002 and  
8 each January 1 thereafter, the Department shall certify to  
9 each county clerk the amount to be distributed for each  
10 school district in the county that year. The amount shall  
11 equal the Bureau of the Budget's estimate of the funds  
12 available for the Education Property Tax Relief Fund for the  
13 fiscal year in effect at the beginning of the calendar year  
14 in which the funds will be distributed multiplied by an  
15 allocation factor for each school district. The allocation  
16 factor shall equal the amount extended for the operating tax  
17 rate of each county's portion of each school district on the  
18 classes of property eligible for the School Tax Abatement  
19 under Section 18-162 of the Property Tax Code divided by the  
20 sum of the total of such extensions for all school districts  
21 in the State. The data used in determining this factor shall  
22 be the most recent available to the Department submitted by  
23 the County Clerk of each county pursuant to Section 18-255 of  
24 the Property Tax Code by October 1 prior to the Department's  
25 certification to the county clerks under this Section.

26 On February 1, 2002 and on February 1 of each calendar  
27 year thereafter, the Department shall certify to the State  
28 Comptroller an amount to be paid over to the county treasurer  
29 in any county with 3,000,000 or more inhabitants, which is  
30 required by Section 21-30 of the Property Tax Code to send an  
31 estimated property tax bill by January 31 annually and an  
32 actual tax bill by June 30 annually, equal to 50% of the  
33 amount certified by the Department to be distributed to the  
34 school districts in that county under this Section. On May

1 15, 2002 and on May 15 of each calendar year thereafter, the  
2 Department shall certify to the State Comptroller an amount  
3 to be paid over to the county treasurer in each county of  
4 fewer than 3,000,000 inhabitants equal to 50% of the amount  
5 certified by the Department to be distributed to the school  
6 districts in each such county under this Section. On August  
7 15, 2002, and on August 15 of each calendar year thereafter,  
8 the Department shall certify to the State Comptroller an  
9 amount to be paid over to the county treasurer of each county  
10 in the State equal to 50% of the amount certified by the  
11 Department to be distributed to the school districts in each  
12 county under this Section. The State Comptroller shall pay  
13 from the Education Property Tax Relief Fund all amounts  
14 certified to the State Comptroller under this Section.

15 The county treasurer shall promptly distribute the funds  
16 to each school district based on the amount certified to the  
17 county clerk by the Department under this Section.

18 Beginning with the January 1, 2003 certification by the  
19 Department to the county clerks under this Section, and each  
20 January 1 thereafter, the Department shall recalculate the  
21 previous year's allocation factor for each school district  
22 using the most recent available extension information  
23 supplied under Section 18-255 of the Property Tax Code for  
24 property taxes extended for the allocation basis levy year  
25 applicable to the previous year's allocation. The current  
26 year's allocation shall be adjusted by the difference between  
27 this recalculation of the previous year's allocation and the  
28 actual allocation and distribution in the previous year.

29 Section 15. The Illinois Income Tax Act is amended by  
30 changing Sections 201, 203, 804, and 901 and by adding  
31 Section 202.5 as follows:

32 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

1           Sec. 201. Tax Imposed.

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

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

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

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

23           (3) In the case of an individual, trust or estate,  
24 for taxable years beginning after June 30, 1989, and  
25 ending prior to July 1, 2001, an amount equal to 3% of  
26 the taxpayer's net income for the taxable year.

27           (4) In the case of an individual, trust, or estate,  
28 for taxable years beginning prior to July 1, 2001 and  
29 ending after June 30, 2001, an amount equal to the sum of  
30 (i) 3% of the taxpayer's net income for the period prior  
31 to July 1, 2001, as calculated under Section 202.5, and  
32 (ii) 3.75% of the taxpayer's net income for the period  
33 after June 30, 2001, as calculated under Section 202.5  
34 {Blank}.

1           (5) In the case of an individual, trust, or estate,  
2           for taxable years beginning after June 30, 2001, an  
3           amount equal to 3.75% of the taxpayer's net income for  
4           the taxable year {Blank}.

5           (5) (Blank).

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

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

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

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

32          (d) Additional Personal Property Tax Replacement Income  
33          Tax Rates. The personal property tax replacement income tax  
34          imposed by this subsection and subsection (c) of this Section

1 in the case of a corporation, other than a Subchapter S  
2 corporation and except as adjusted by subsection (d-1), shall  
3 be an additional amount equal to 2.85% of such taxpayer's net  
4 income for the taxable year, except that beginning on January  
5 1, 1981, and thereafter, the rate of 2.85% specified in this  
6 subsection shall be reduced to 2.5%, and in the case of a  
7 partnership, trust or a Subchapter S corporation shall be an  
8 additional amount equal to 1.5% of such taxpayer's net income  
9 for the taxable year.

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

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

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

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

14 equals 1.25% of the net taxable premiums written for the  
15 taxable year, as described by subsection (1) of Section  
16 409 of the Illinois Insurance Code. This paragraph will  
17 in no event increase the rates imposed under subsections  
18 (b) and (d).

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

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

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

31           (1) A taxpayer shall be allowed a credit equal to  
32 .5% of the basis of qualified property placed in service  
33 during the taxable year, provided such property is placed  
34 in service on or after July 1, 1984. There shall be

1 allowed an additional credit equal to .5% of the basis of  
2 qualified property placed in service during the taxable  
3 year, provided such property is placed in service on or  
4 after July 1, 1986, and the taxpayer's base employment  
5 within Illinois has increased by 1% or more over the  
6 preceding year as determined by the taxpayer's employment  
7 records filed with the Illinois Department of Employment  
8 Security. Taxpayers who are new to Illinois shall be  
9 deemed to have met the 1% growth in base employment for  
10 the first year in which they file employment records with  
11 the Illinois Department of Employment Security. The  
12 provisions added to this Section by Public Act 85-1200  
13 (and restored by Public Act 87-895) shall be construed as  
14 declaratory of existing law and not as a new enactment.  
15 If, in any year, the increase in base employment within  
16 Illinois over the preceding year is less than 1%, the  
17 additional credit shall be limited to that percentage  
18 times a fraction, the numerator of which is .5% and the  
19 denominator of which is 1%, but shall not exceed .5%.  
20 The investment credit shall not be allowed to the extent  
21 that it would reduce a taxpayer's liability in any tax  
22 year below zero, nor may any credit for qualified  
23 property be allowed for any year other than the year in  
24 which the property was placed in service in Illinois. For  
25 tax years ending on or after December 31, 1987, and on or  
26 before December 31, 1988, the credit shall be allowed for  
27 the tax year in which the property is placed in service,  
28 or, if the amount of the credit exceeds the tax liability  
29 for that year, whether it exceeds the original liability  
30 or the liability as later amended, such excess may be  
31 carried forward and applied to the tax liability of the 5  
32 taxable years following the excess credit years if the  
33 taxpayer (i) makes investments which cause the creation  
34 of a minimum of 2,000 full-time equivalent jobs in



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

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

22 (A) is tangible, whether new or used,  
23 including buildings and structural components of  
24 buildings and signs that are real property, but not  
25 including land or improvements to real property that  
26 are not a structural component of a building such as  
27 landscaping, sewer lines, local access roads,  
28 fencing, parking lots, and other appurtenances;

29 (B) is depreciable pursuant to Section 167 of  
30 the Internal Revenue Code, except that "3-year  
31 property" as defined in Section 168(c)(2)(A) of that  
32 Code is not eligible for the credit provided by this  
33 subsection (e);

34 (C) is acquired by purchase as defined in

1 Section 179(d) of the Internal Revenue Code;

2 (D) is used in Illinois by a taxpayer who is  
3 primarily engaged in manufacturing, or in mining  
4 coal or fluorite, or in retailing; and

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

9 (3) For purposes of this subsection (e),  
10 "manufacturing" means the material staging and production  
11 of tangible personal property by procedures commonly  
12 regarded as manufacturing, processing, fabrication, or  
13 assembling which changes some existing material into new  
14 shapes, new qualities, or new combinations. For purposes  
15 of this subsection (e) the term "mining" shall have the  
16 same meaning as the term "mining" in Section 613(c) of  
17 the Internal Revenue Code. For purposes of this  
18 subsection (e), the term "retailing" means the sale of  
19 tangible personal property or services rendered in  
20 conjunction with the sale of tangible consumer goods or  
21 commodities.

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

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

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

33 (7) If during any taxable year, any property ceases  
34 to be qualified property in the hands of the taxpayer

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

16 (8) Unless the investment credit is extended by  
17 law, the basis of qualified property shall not include  
18 costs incurred after December 31, 2003, except for costs  
19 incurred pursuant to a binding contract entered into on  
20 or before December 31, 2003.

21 (9) Each taxable year ending before December 31,  
22 2000, a partnership may elect to pass through to its  
23 partners the credits to which the partnership is entitled  
24 under this subsection (e) for the taxable year. A  
25 partner may use the credit allocated to him or her under  
26 this paragraph only against the tax imposed in  
27 subsections (c) and (d) of this Section. If the  
28 partnership makes that election, those credits shall be  
29 allocated among the partners in the partnership in  
30 accordance with the rules set forth in Section 704(b) of  
31 the Internal Revenue Code, and the rules promulgated  
32 under that Section, and the allocated amount of the  
33 credits shall be allowed to the partners for that taxable  
34 year. The partnership shall make this election on its

1 Personal Property Tax Replacement Income Tax return for  
2 that taxable year. The election to pass through the  
3 credits shall be irrevocable.

4 For taxable years ending on or after December 31,  
5 2000, a partner that qualifies its partnership for a  
6 subtraction under subparagraph (I) of paragraph (2) of  
7 subsection (d) of Section 203 or a shareholder that  
8 qualifies a Subchapter S corporation for a subtraction  
9 under subparagraph (S) of paragraph (2) of subsection (b)  
10 of Section 203 shall be allowed a credit under this  
11 subsection (e) equal to its share of the credit earned  
12 under this subsection (e) during the taxable year by the  
13 partnership or Subchapter S corporation, determined in  
14 accordance with the determination of income and  
15 distributive share of income under Sections 702 and 704  
16 and Subchapter S of the Internal Revenue Code. This  
17 paragraph is exempt from the provisions of Section 250.

18 (f) Investment credit; Enterprise Zone.

19 (1) A taxpayer shall be allowed a credit against  
20 the tax imposed by subsections (a) and (b) of this  
21 Section for investment in qualified property which is  
22 placed in service in an Enterprise Zone created pursuant  
23 to the Illinois Enterprise Zone Act. For partners,  
24 shareholders of Subchapter S corporations, and owners of  
25 limited liability companies, if the liability company is  
26 treated as a partnership for purposes of federal and  
27 State income taxation, there shall be allowed a credit  
28 under this subsection (f) to be determined in accordance  
29 with the determination of income and distributive share  
30 of income under Sections 702 and 704 and Subchapter S of  
31 the Internal Revenue Code. The credit shall be .5% of the  
32 basis for such property. The credit shall be available  
33 only in the taxable year in which the property is placed  
34 in service in the Enterprise Zone and shall not be

1 allowed to the extent that it would reduce a taxpayer's  
2 liability for the tax imposed by subsections (a) and (b)  
3 of this Section to below zero. For tax years ending on or  
4 after December 31, 1985, the credit shall be allowed for  
5 the tax year in which the property is placed in service,  
6 or, if the amount of the credit exceeds the tax liability  
7 for that year, whether it exceeds the original liability  
8 or the liability as later amended, such excess may be  
9 carried forward and applied to the tax liability of the 5  
10 taxable years following the excess credit year. The  
11 credit shall be applied to the earliest year for which  
12 there is a liability. If there is credit from more than  
13 one tax year that is available to offset a liability, the  
14 credit accruing first in time shall be applied first.

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

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

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

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

27 (D) is used in the Enterprise Zone by the  
28 taxpayer; and

29 (E) has not been previously used in Illinois  
30 in such a manner and by such a person as would  
31 qualify for the credit provided by this subsection  
32 (f) or subsection (e).

33 (3) The basis of qualified property shall be the  
34 basis used to compute the depreciation deduction for

1 federal income tax purposes.

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

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

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

27 (g) Jobs Tax Credit; Enterprise Zone and Foreign Trade  
28 Zone or Sub-Zone.

29 (1) A taxpayer conducting a trade or business in an  
30 enterprise zone or a High Impact Business designated by  
31 the Department of Commerce and Community Affairs  
32 conducting a trade or business in a federally designated  
33 Foreign Trade Zone or Sub-Zone shall be allowed a credit  
34 against the tax imposed by subsections (a) and (b) of

1 this Section in the amount of \$500 per eligible employee  
2 hired to work in the zone during the taxable year.

3 (2) To qualify for the credit:

4 (A) the taxpayer must hire 5 or more eligible  
5 employees to work in an enterprise zone or federally  
6 designated Foreign Trade Zone or Sub-Zone during the  
7 taxable year;

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

16 (C) the eligible employees must be employed  
17 180 consecutive days in order to be deemed hired for  
18 purposes of this subsection.

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

21 (A) Certified by the Department of Commerce  
22 and Community Affairs as "eligible for services"  
23 pursuant to regulations promulgated in accordance  
24 with Title II of the Job Training Partnership Act,  
25 Training Services for the Disadvantaged or Title III  
26 of the Job Training Partnership Act, Employment and  
27 Training Assistance for Dislocated Workers Program.

28 (B) Hired after the enterprise zone or  
29 federally designated Foreign Trade Zone or Sub-Zone  
30 was designated or the trade or business was located  
31 in that zone, whichever is later.

32 (C) Employed in the enterprise zone or Foreign  
33 Trade Zone or Sub-Zone. An employee is employed in  
34 an enterprise zone or federally designated Foreign

1 Trade Zone or Sub-Zone if his services are rendered  
2 there or it is the base of operations for the  
3 services performed.

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

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

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

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

26 (h) Investment credit; High Impact Business.

27 (1) Subject to subsection (b) of Section 5.5 of the  
28 Illinois Enterprise Zone Act, a taxpayer shall be allowed  
29 a credit against the tax imposed by subsections (a) and  
30 (b) of this Section for investment in qualified property  
31 which is placed in service by a Department of Commerce  
32 and Community Affairs designated High Impact Business.  
33 The credit shall be .5% of the basis for such property.  
34 The credit shall not be available until the minimum



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

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

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

32 (A) is tangible, whether new or used,  
33 including buildings and structural components of  
34 buildings;

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

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

8           (D) is not eligible for the Enterprise Zone  
9           Investment Credit provided by subsection (f) of this  
10          Section.

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

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

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

23          (6) If during any taxable year ending on or before  
24          December 31, 1996, any property ceases to be qualified  
25          property in the hands of the taxpayer within 48 months  
26          after being placed in service, or the situs of any  
27          qualified property is moved outside Illinois within 48  
28          months after being placed in service, the tax imposed  
29          under subsections (a) and (b) of this Section for such  
30          taxable year shall be increased. Such increase shall be  
31          determined by (i) recomputing the investment credit which  
32          would have been allowed for the year in which credit for  
33          such property was originally allowed by eliminating such  
34          property from such computation, and (ii) subtracting such

1 recomputed credit from the amount of credit previously  
2 allowed. For the purposes of this paragraph (6), a  
3 reduction of the basis of qualified property resulting  
4 from a redetermination of the purchase price shall be  
5 deemed a disposition of qualified property to the extent  
6 of such reduction.

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

18 (i) A credit shall be allowed against the tax imposed by  
19 subsections (a) and (b) of this Section for the tax imposed  
20 by subsections (c) and (d) of this Section. This credit  
21 shall be computed by multiplying the tax imposed by  
22 subsections (c) and (d) of this Section by a fraction, the  
23 numerator of which is base income allocable to Illinois and  
24 the denominator of which is Illinois base income, and further  
25 multiplying the product by the tax rate imposed by  
26 subsections (a) and (b) of this Section.

27 Any credit earned on or after December 31, 1986 under  
28 this subsection which is unused in the year the credit is  
29 computed because it exceeds the tax liability imposed by  
30 subsections (a) and (b) for that year (whether it exceeds the  
31 original liability or the liability as later amended) may be  
32 carried forward and applied to the tax liability imposed by  
33 subsections (a) and (b) of the 5 taxable years following the  
34 excess credit year. This credit shall be applied first to

1 the earliest year for which there is a liability. If there  
2 is a credit under this subsection from more than one tax year  
3 that is available to offset a liability the earliest credit  
4 arising under this subsection shall be applied first.

5 If, during any taxable year ending on or after December  
6 31, 1986, the tax imposed by subsections (c) and (d) of this  
7 Section for which a taxpayer has claimed a credit under this  
8 subsection (i) is reduced, the amount of credit for such tax  
9 shall also be reduced. Such reduction shall be determined by  
10 recomputing the credit to take into account the reduced tax  
11 imposed by subsection (c) and (d). If any portion of the  
12 reduced amount of credit has been carried to a different  
13 taxable year, an amended return shall be filed for such  
14 taxable year to reduce the amount of credit claimed.

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

34 Any credit allowed under this subsection which is unused

1 in the year the credit is earned may be carried forward to  
2 each of the 5 taxable years following the year for which the  
3 credit is first computed until it is used. This credit shall  
4 be applied first to the earliest year for which there is a  
5 liability. If there is a credit under this subsection from  
6 more than one tax year that is available to offset a  
7 liability the earliest credit arising under this subsection  
8 shall be applied first.

9 (k) Research and development credit.

10 Beginning with tax years ending after July 1, 1990, a  
11 taxpayer shall be allowed a credit against the tax imposed by  
12 subsections (a) and (b) of this Section for increasing  
13 research activities in this State. The credit allowed  
14 against the tax imposed by subsections (a) and (b) shall be  
15 equal to 6 1/2% of the qualifying expenditures for increasing  
16 research activities in this State. For partners, shareholders  
17 of subchapter S corporations, and owners of limited liability  
18 companies, if the liability company is treated as a  
19 partnership for purposes of federal and State income  
20 taxation, there shall be allowed a credit under this  
21 subsection to be determined in accordance with the  
22 determination of income and distributive share of income  
23 under Sections 702 and 704 and subchapter S of the Internal  
24 Revenue Code.

25 For purposes of this subsection, "qualifying  
26 expenditures" means the qualifying expenditures as defined  
27 for the federal credit for increasing research activities  
28 which would be allowable under Section 41 of the Internal  
29 Revenue Code and which are conducted in this State,  
30 "qualifying expenditures for increasing research activities  
31 in this State" means the excess of qualifying expenditures  
32 for the taxable year in which incurred over qualifying  
33 expenditures for the base period, "qualifying expenditures  
34 for the base period" means the average of the qualifying

1 expenditures for each year in the base period, and "base  
2 period" means the 3 taxable years immediately preceding the  
3 taxable year for which the determination is being made.

4 Any credit in excess of the tax liability for the taxable  
5 year may be carried forward. A taxpayer may elect to have the  
6 unused credit shown on its final completed return carried  
7 over as a credit against the tax liability for the following  
8 5 taxable years or until it has been fully used, whichever  
9 occurs first.

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

22 Unless extended by law, the credit shall not include  
23 costs incurred after December 31, 2004, except for costs  
24 incurred pursuant to a binding contract entered into on or  
25 before December 31, 2004.

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

29 (1) Environmental Remediation Tax Credit.

30 (i) For tax years ending after December 31, 1997  
31 and on or before December 31, 2001, a taxpayer shall be  
32 allowed a credit against the tax imposed by subsections  
33 (a) and (b) of this Section for certain amounts paid for  
34 unreimbursed eligible remediation costs, as specified in

1 this subsection. For purposes of this Section,  
2 "unreimbursed eligible remediation costs" means costs  
3 approved by the Illinois Environmental Protection Agency  
4 ("Agency") under Section 58.14 of the Environmental  
5 Protection Act that were paid in performing environmental  
6 remediation at a site for which a No Further Remediation  
7 Letter was issued by the Agency and recorded under  
8 Section 58.10 of the Environmental Protection Act. The  
9 credit must be claimed for the taxable year in which  
10 Agency approval of the eligible remediation costs is  
11 granted. The credit is not available to any taxpayer if  
12 the taxpayer or any related party caused or contributed  
13 to, in any material respect, a release of regulated  
14 substances on, in, or under the site that was identified  
15 and addressed by the remedial action pursuant to the Site  
16 Remediation Program of the Environmental Protection Act.  
17 After the Pollution Control Board rules are adopted  
18 pursuant to the Illinois Administrative Procedure Act for  
19 the administration and enforcement of Section 58.9 of the  
20 Environmental Protection Act, determinations as to credit  
21 availability for purposes of this Section shall be made  
22 consistent with those rules. For purposes of this  
23 Section, "taxpayer" includes a person whose tax  
24 attributes the taxpayer has succeeded to under Section  
25 381 of the Internal Revenue Code and "related party"  
26 includes the persons disallowed a deduction for losses by  
27 paragraphs (b), (c), and (f)(1) of Section 267 of the  
28 Internal Revenue Code by virtue of being a related  
29 taxpayer, as well as any of its partners. The credit  
30 allowed against the tax imposed by subsections (a) and  
31 (b) shall be equal to 25% of the unreimbursed eligible  
32 remediation costs in excess of \$100,000 per site, except  
33 that the \$100,000 threshold shall not apply to any site  
34 contained in an enterprise zone as determined by the

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

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



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

4           (m) Education expense credit.

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

17           For purposes of this subsection;

18           "Qualifying pupils" means individuals who (i) are  
19 residents of the State of Illinois, (ii) are under the age of  
20 21 at the close of the school year for which a credit is  
21 sought, and (iii) during the school year for which a credit  
22 is sought were full-time pupils enrolled in a kindergarten  
23 through twelfth grade education program at any school, as  
24 defined in this subsection.

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

29           "School" means any public or nonpublic elementary or  
30 secondary school in Illinois that is in compliance with Title  
31 VI of the Civil Rights Act of 1964 and attendance at which  
32 satisfies the requirements of Section 26-1 of the School  
33 Code, except that nothing shall be construed to require a  
34 child to attend any particular public or nonpublic school to

1 qualify for the credit under this Section.

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

5 (Source: P.A. 90-123, eff. 7-21-97; 90-458, eff. 8-17-97;  
6 90-605, eff. 6-30-98; 90-655, eff. 7-30-98; 90-717, eff.  
7 8-7-98; 90-792, eff. 1-1-99; 91-9, eff. 1-1-00; 91-357, eff.  
8 7-29-99; 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860,  
9 eff. 6-22-00; 91-913, eff. 1-1-01; revised 10-24-00.)

10 (35 ILCS 5/202.5 new)

11 Sec. 202.5. Net income attributable to the period prior  
12 to July 1, 2001 and net income attributable to the period  
13 after June 30, 2001.

14 (a) In general. With respect to the taxable year of a  
15 taxpayer beginning prior to July 1, 2001 and ending after  
16 June 30, 2001, net income for the period after June 30, 2001  
17 shall be that amount which bears the same ratio to the  
18 taxpayer's net income for the entire taxable year as the  
19 number of days in such year after June 30, 2001 bears to the  
20 total number of days in such year, and the net income for the  
21 period prior to July 1, 2001 shall be that amount which bears  
22 the same ratio to the taxpayer's net income for the entire  
23 taxable year as the number of days in such year prior to July  
24 1, 2001 bears to the total number of days in such year.

25 (b) Election to attribute income and deduction items  
26 specifically to the respective portions of a taxable year  
27 prior to July 1, 2001 and after June 30, 2001. In the case of  
28 a taxpayer with a taxable year beginning prior to July 1,  
29 2001 and ending after June 30, 2001, the taxpayer may elect,  
30 in lieu of the procedure established in subsection (a) of  
31 this Section, to determine net income on a specific  
32 accounting basis for the 2 portions of his taxable year:

33 (i) from the beginning of the taxable year through

1 June 30, 2001, and

2 (ii) from July 1, 2001 through the end of the  
3 taxable year.

4 If the taxpayer elects specific accounting under this  
5 subsection, there shall be taken into account in computing  
6 base income for each of the 2 portions of the taxable year  
7 only those items earned, received, paid, incurred, or accrued  
8 in each such period. The standard exemption provided by  
9 Section 204 shall be divided between the respective periods  
10 in amounts which bear the same ratio to the total exemption  
11 allowable under Section 204 (determined without regard to  
12 this Section) as the total number of days in each such period  
13 bears to the total number of days in the taxable year. The  
14 election provided by this subsection shall be made in such  
15 manner and at such time as the Department may by forms or  
16 regulations prescribe, but shall be made not later than the  
17 due date (including any extensions thereof) for the filing of  
18 the return for the taxable year, and shall be irrevocable.

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

20 Sec. 203. Base income defined.

21 (a) Individuals.

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

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

29 (A) An amount equal to all amounts paid or  
30 accrued to the taxpayer as interest or dividends  
31 during the taxable year to the extent excluded from  
32 gross income in the computation of adjusted gross  
33 income, except stock dividends of qualified public

1 utilities described in Section 305(e) of the  
2 Internal Revenue Code;

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

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

20 (D) An amount equal to the amount of the  
21 capital gain deduction allowable under the Internal  
22 Revenue Code, to the extent deducted from gross  
23 income in the 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  
27 medical care savings account and the interest earned  
28 on the account in the taxable year of a withdrawal  
29 pursuant to subsection (b) of Section 20 of the  
30 Medical Care Savings Account Act or subsection (b)  
31 of Section 20 of the Medical Care Savings Account  
32 Act of 2000; and

33 (D-10) For taxable years ending after December  
34 31, 1997, an amount equal to any eligible

1 remediation costs that the individual deducted in  
2 computing adjusted gross income and for which the  
3 individual claims a credit under subsection (l) of  
4 Section 201;

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

7 (E) Any amount included in such total in  
8 respect of any compensation (including but not  
9 limited to any compensation paid or accrued to a  
10 serviceman while a prisoner of war or missing in  
11 action) paid to a resident by reason of being on  
12 active duty in the Armed Forces of the United States  
13 and in respect of any compensation paid or accrued  
14 to a resident who as a governmental employee was a  
15 prisoner of war or missing in action, and in respect  
16 of any compensation paid to a resident in 1971 or  
17 thereafter for annual training performed pursuant to  
18 Sections 502 and 503, Title 32, United States Code  
19 as a member of the Illinois National Guard;

20 (F) An amount equal to all amounts included in  
21 such total pursuant to the provisions of Sections  
22 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
23 408 of the Internal Revenue Code, or included in  
24 such total as distributions under the provisions of  
25 any retirement or disability plan for employees of  
26 any governmental agency or unit, or retirement  
27 payments to retired partners, which payments are  
28 excluded in computing net earnings from self  
29 employment by Section 1402 of the Internal Revenue  
30 Code and regulations adopted pursuant thereto;

31 (G) The valuation limitation amount;

32 (H) An amount equal to the amount of any tax  
33 imposed by this Act which was refunded to the  
34 taxpayer and included in such total for the taxable

1 year;

2 (I) An amount equal to all amounts included in  
3 such total pursuant to the provisions of Section 111  
4 of the Internal Revenue Code as a recovery of items  
5 previously deducted from adjusted gross income in  
6 the computation of taxable income;

7 (J) An amount equal to those dividends  
8 included in such total which were paid by a  
9 corporation which conducts business operations in an  
10 Enterprise Zone or zones created under the Illinois  
11 Enterprise Zone Act, and conducts substantially all  
12 of its operations in an Enterprise Zone or zones;

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

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

28 (M) With the exception of any amounts  
29 subtracted under subparagraph (N), an amount equal  
30 to the sum of all amounts disallowed as deductions  
31 by (i) Sections 171(a) (2), and 265(2) of the  
32 Internal Revenue Code of 1954, as now or hereafter  
33 amended, and all amounts of expenses allocable to  
34 interest and disallowed as deductions by Section

1 265(1) of the Internal Revenue Code of 1954, as now  
2 or hereafter amended; and (ii) for taxable years  
3 ending on or after August 13, 1999, Sections  
4 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
5 Internal Revenue Code; the provisions of this  
6 subparagraph are exempt from the provisions of  
7 Section 250;

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

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

21 (P) An amount equal to the amount of the  
22 deduction used to compute the federal income tax  
23 credit for restoration of substantial amounts held  
24 under claim of right for the taxable year pursuant  
25 to Section 1341 of the Internal Revenue Code of  
26 1986;

27 (Q) An amount equal to any amounts included in  
28 such total, received by the taxpayer as an  
29 acceleration in the payment of life, endowment or  
30 annuity benefits in advance of the time they would  
31 otherwise be payable as an indemnity for a terminal  
32 illness;

33 (R) An amount equal to the amount of any  
34 federal or State bonus paid to veterans of the

1 Persian Gulf War;

2 (S) An amount, to the extent included in  
3 adjusted gross income, equal to the amount of a  
4 contribution made in the taxable year on behalf of  
5 the taxpayer to a medical care savings account  
6 established under the Medical Care Savings Account  
7 Act or the Medical Care Savings Account Act of 2000  
8 to the extent the contribution is accepted by the  
9 account administrator as provided in that Act;

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

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

25 (V) Beginning with tax years ending on or  
26 after December 31, 1995 and ending with tax years  
27 ending on or before December 31, 2004, an amount  
28 equal to the amount paid by a taxpayer who is a  
29 self-employed taxpayer, a partner of a partnership,  
30 or a shareholder in a Subchapter S corporation for  
31 health insurance or long-term care insurance for  
32 that taxpayer or that taxpayer's spouse or  
33 dependents, to the extent that the amount paid for  
34 that health insurance or long-term care insurance



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

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

26                 (X) For taxable year 1999 and thereafter, an  
27                 amount equal to the amount of any (i) distributions,  
28                 to the extent includible in gross income for federal  
29                 income tax purposes, made to the taxpayer because of  
30                 his or her status as a victim of persecution for  
31                 racial or religious reasons by Nazi Germany or any  
32                 other Axis regime or as an heir of the victim and  
33                 (ii) items of income, to the extent includible in  
34                 gross income for federal income tax purposes,

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

27                 (Y) Beginning with tax years ending on or  
28                 after December 31, 2001 and ending with tax years  
29                 ending on or before December 31, 2005, an amount,  
30                 not to exceed \$1,200, equal to 15% of the total  
31                 amount of rent paid by the taxpayer during the year  
32                 for the principal place of residence of the  
33                 taxpayer.

34           (b) Corporations.

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

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

7           (A) An amount equal to all amounts paid or  
8 accrued to the taxpayer as interest and all  
9 distributions received from regulated investment  
10 companies during the taxable year to the extent  
11 excluded from gross income in the computation of  
12 taxable income;

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

17           (C) In the case of a regulated investment  
18 company, an amount equal to the excess of (i) the  
19 net long-term capital gain for the taxable year,  
20 over (ii) the amount of the capital gain dividends  
21 designated as such in accordance with Section  
22 852(b)(3)(C) of the Internal Revenue Code and any  
23 amount designated under Section 852(b)(3)(D) of the  
24 Internal Revenue Code, attributable to the taxable  
25 year (this amendatory Act of 1995 (Public Act 89-89)  
26 is declarative of existing law and is not a new  
27 enactment);

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

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

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

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

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

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

31 (E-5) For taxable years ending after December  
32 31, 1997, an amount equal to any eligible  
33 remediation costs that the corporation deducted in  
34 computing adjusted gross income and for which the

1 corporation claims a credit under subsection (l) of  
2 Section 201;

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

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

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

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

17 (I) With the exception of any amounts  
18 subtracted under subparagraph (J), an amount equal  
19 to the sum of all amounts disallowed as deductions  
20 by (i) Sections 171(a) (2), and 265(a)(2) and  
21 amounts disallowed as interest expense by Section  
22 291(a)(3) of the Internal Revenue Code, as now or  
23 hereafter amended, and all amounts of expenses  
24 allocable to interest and disallowed as deductions  
25 by Section 265(a)(1) of the Internal Revenue Code,  
26 as now or hereafter amended; and (ii) for taxable  
27 years ending on or after August 13, 1999, Sections  
28 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
29 of the Internal Revenue Code; the provisions of this  
30 subparagraph are exempt from the provisions of  
31 Section 250;

32 (J) An amount equal to all amounts included in  
33 such total which are exempt from taxation by this  
34 State either by reason of its statutes or

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

8 (K) An amount equal to those dividends  
9 included in such total which were paid by a  
10 corporation which conducts business operations in an  
11 Enterprise Zone or zones created under the Illinois  
12 Enterprise Zone Act and conducts substantially all  
13 of its operations in an Enterprise Zone or zones;

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

24 (M) For any taxpayer that is a financial  
25 organization within the meaning of Section 304(c) of  
26 this Act, an amount included in such total as  
27 interest income from a loan or loans made by such  
28 taxpayer to a borrower, to the extent that such a  
29 loan is secured by property which is eligible for  
30 the Enterprise Zone Investment Credit. To determine  
31 the portion of a loan or loans that is secured by  
32 property eligible for a Section 201(f) ~~201(h)~~  
33 investment credit to the borrower, the entire  
34 principal amount of the loan or loans between the

1 taxpayer and the borrower should be divided into the  
2 basis of the Section 201(f) ~~201(h)~~ investment credit  
3 property which secures the loan or loans, using for  
4 this purpose the original basis of such property on  
5 the date that it was placed in service in the  
6 Enterprise Zone. The subtraction modification  
7 available to taxpayer in any year under this  
8 subsection shall be that portion of the total  
9 interest paid by the borrower with respect to such  
10 loan attributable to the eligible property as  
11 calculated under the previous sentence;

12 (M-1) 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  
15 interest income from a loan or loans made by such  
16 taxpayer to a borrower, to the extent that such a  
17 loan is secured by property which is eligible for  
18 the High Impact Business Investment Credit. To  
19 determine the portion of a loan or loans that is  
20 secured by property eligible for a Section 201(h)  
21 ~~201(i)~~ investment credit to the borrower, the entire  
22 principal amount of the loan or loans between the  
23 taxpayer and the borrower should be divided into the  
24 basis of the Section 201(h) ~~201(i)~~ investment credit  
25 property which secures the loan or loans, using for  
26 this purpose the original basis of such property on  
27 the date that it was placed in service in a  
28 federally designated Foreign Trade Zone or Sub-Zone  
29 located in Illinois. No taxpayer that is eligible  
30 for the deduction provided in subparagraph (M) of  
31 paragraph (2) of this subsection shall be eligible  
32 for the deduction provided under this subparagraph  
33 (M-1). The subtraction modification available to  
34 taxpayers in any year under this subsection shall be

1 that portion of the total interest paid by the  
2 borrower with respect to such loan attributable to  
3 the eligible property as calculated under the  
4 previous sentence;

5 (N) Two times any contribution made during the  
6 taxable year to a designated zone organization to  
7 the extent that the contribution (i) qualifies as a  
8 charitable contribution under subsection (c) of  
9 Section 170 of the Internal Revenue Code and (ii)  
10 must, by its terms, be used for a project approved  
11 by the Department of Commerce and Community Affairs  
12 under Section 11 of the Illinois Enterprise Zone  
13 Act;

14 (O) An amount equal to: (i) 85% for taxable  
15 years ending on or before December 31, 1992, or, a  
16 percentage equal to the percentage allowable under  
17 Section 243(a)(1) of the Internal Revenue Code of  
18 1986 for taxable years ending after December 31,  
19 1992, of the amount by which dividends included in  
20 taxable income and received from a corporation that  
21 is not created or organized under the laws of the  
22 United States or any state or political subdivision  
23 thereof, including, for taxable years ending on or  
24 after December 31, 1988, dividends received or  
25 deemed received or paid or deemed paid under  
26 Sections 951 through 964 of the Internal Revenue  
27 Code, exceed the amount of the modification provided  
28 under subparagraph (G) of paragraph (2) of this  
29 subsection (b) which is related to such dividends;  
30 plus (ii) 100% of the amount by which dividends,  
31 included in taxable income and received, including,  
32 for taxable years ending on or after December 31,  
33 1988, dividends received or deemed received or paid  
34 or deemed paid under Sections 951 through 964 of the



1 Internal Revenue Code, from any such corporation  
2 specified in clause (i) that would but for the  
3 provisions of Section 1504 (b) (3) of the Internal  
4 Revenue Code be treated as a member of the  
5 affiliated group which includes the dividend  
6 recipient, exceed the amount of the modification  
7 provided under subparagraph (G) of paragraph (2) of  
8 this subsection (b) which is related to such  
9 dividends;

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

13 (Q) An amount equal to the amount of the  
14 deduction used to compute the federal income tax  
15 credit for restoration of substantial amounts held  
16 under claim of right for the taxable year pursuant  
17 to Section 1341 of the Internal Revenue Code of  
18 1986;

19 (R) In the case of an attorney-in-fact with  
20 respect to whom an interinsurer or a reciprocal  
21 insurer has made the election under Section 835 of  
22 the Internal Revenue Code, 26 U.S.C. 835, an amount  
23 equal to the excess, if any, of the amounts paid or  
24 incurred by that interinsurer or reciprocal insurer  
25 in the taxable year to the attorney-in-fact over the  
26 deduction allowed to that interinsurer or reciprocal  
27 insurer with respect to the attorney-in-fact under  
28 Section 835(b) of the Internal Revenue Code for the  
29 taxable year; and

30 (S) For taxable years ending on or after  
31 December 31, 1997, in the case of a Subchapter S  
32 corporation, an amount equal to all amounts of  
33 income allocable to a shareholder subject to the  
34 Personal Property Tax Replacement Income Tax imposed

1 by subsections (c) and (d) of Section 201 of this  
2 Act, including amounts allocable to organizations  
3 exempt from federal income tax by reason of Section  
4 501(a) of the Internal Revenue Code. This  
5 subparagraph (S) is exempt from the provisions of  
6 Section 250.

7 (3) Special rule. For purposes of paragraph (2)  
8 (A), "gross income" in the case of a life insurance  
9 company, for tax years ending on and after December 31,  
10 1994, shall mean the gross investment income for the  
11 taxable year.

12 (c) Trusts and estates.

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

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

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

25 (B) In the case of (i) an estate, \$600; (ii) a  
26 trust which, under its governing instrument, is  
27 required to distribute all of its income currently,  
28 \$300; and (iii) any other trust, \$100, but in each  
29 such case, only to the extent such amount was  
30 deducted in the computation of taxable income;

31 (C) An amount equal to the amount of tax  
32 imposed by this Act to the extent deducted from  
33 gross income in the computation of taxable income  
34 for the taxable year;

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

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

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

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

30           For taxable years in which there is a net  
31 operating loss carryback or carryforward from more  
32 than one other taxable year ending prior to December  
33 31, 1986, the addition modification provided in this  
34 subparagraph (E) shall be the sum of the amounts

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

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

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

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

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

22          (H) 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  
25          408 of the Internal Revenue Code or included in such  
26          total as distributions under the provisions of any  
27          retirement or disability plan for employees of any  
28          governmental agency or unit, or retirement payments  
29          to retired partners, which payments are excluded in  
30          computing net earnings from self employment by  
31          Section 1402 of the Internal Revenue Code and  
32          regulations adopted pursuant thereto;

33          (I) The valuation limitation amount;

34          (J) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the  
2 taxpayer and included in such total for the taxable  
3 year;

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

15 (L) With the exception of any amounts  
16 subtracted under subparagraph (K), an amount equal  
17 to the sum of all amounts disallowed as deductions  
18 by (i) Sections 171(a) (2) and 265(a)(2) of the  
19 Internal Revenue Code, as now or hereafter amended,  
20 and all amounts of expenses allocable to interest  
21 and disallowed as deductions by Section 265(1) of  
22 the Internal Revenue Code of 1954, as now or  
23 hereafter amended; and (ii) for taxable years ending  
24 on or after August 13, 1999, Sections 171(a)(2),  
25 265, 280C, and 832(b)(5)(B)(i) of the Internal  
26 Revenue Code; the provisions of this subparagraph  
27 are exempt from the provisions of Section 250;

28 (M) An amount equal to those dividends  
29 included in such total which were paid by a  
30 corporation which conducts business operations in an  
31 Enterprise Zone or zones created under the Illinois  
32 Enterprise Zone Act and conducts substantially all  
33 of its operations in an Enterprise Zone or Zones;

34 (N) An amount equal to any contribution made

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

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

13 (P) An amount equal to the amount of the  
14 deduction used to compute the federal income tax  
15 credit for restoration of substantial amounts held  
16 under claim of right for the taxable year pursuant  
17 to Section 1341 of the Internal Revenue Code of  
18 1986; and

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

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

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

27 (d) Partnerships.

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

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

34 (A) An amount equal to all amounts paid or

1 accrued to the taxpayer as interest or dividends  
2 during the taxable year to the extent excluded from  
3 gross income in the computation of taxable income;

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

7 (C) The amount of deductions allowed to the  
8 partnership pursuant to Section 707 (c) of the  
9 Internal Revenue Code in calculating its taxable  
10 income; and

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

15 and by deducting from the total so obtained the following  
16 amounts:

17 (E) The valuation limitation amount;

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

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

33 (H) Any income of the partnership which  
34 constitutes personal service income as defined in



1 Section 1348 (b) (1) of the Internal Revenue Code  
2 (as in effect December 31, 1981) or a reasonable  
3 allowance for compensation paid or accrued for  
4 services rendered by partners to the partnership,  
5 whichever is greater;

6 (I) An amount equal to all amounts of income  
7 distributable to an entity subject to the Personal  
8 Property Tax Replacement Income Tax imposed by  
9 subsections (c) and (d) of Section 201 of this Act  
10 including amounts distributable to organizations  
11 exempt from federal income tax by reason of Section  
12 501(a) of the Internal Revenue Code;

13 (J) With the exception of any amounts  
14 subtracted under subparagraph (G), an amount equal  
15 to the sum of all amounts disallowed as deductions  
16 by (i) Sections 171(a) (2), and 265(2) of the  
17 Internal Revenue Code of 1954, as now or hereafter  
18 amended, and all amounts of expenses allocable to  
19 interest and disallowed as deductions by Section  
20 265(1) of the Internal Revenue Code, as now or  
21 hereafter amended; and (ii) for taxable years ending  
22 on or after August 13, 1999, Sections 171(a)(2),  
23 265, 280C, and 832(b)(5)(B)(i) of the Internal  
24 Revenue Code; the provisions of this subparagraph  
25 are exempt from the provisions of Section 250;

26 (K) An amount equal to those dividends  
27 included in such total which were paid by a  
28 corporation which conducts business operations in an  
29 Enterprise Zone or zones created under the Illinois  
30 Enterprise Zone Act, enacted by the 82nd General  
31 Assembly, and which does not conduct such operations  
32 other than in an Enterprise Zone or Zones;

33 (L) An amount equal to any contribution made  
34 to a job training project established pursuant to

1 the Real Property Tax Increment Allocation  
2 Redevelopment Act;

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

13 (N) An amount equal to the amount of the  
14 deduction used to compute the federal income tax  
15 credit for restoration of substantial amounts held  
16 under claim of right for the taxable year pursuant  
17 to Section 1341 of the Internal Revenue Code of  
18 1986.

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

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

1 taxable year. For taxable years ending prior to December  
2 31, 1986, taxable income may never be an amount in excess  
3 of the net operating loss for the taxable year as defined  
4 in subsections (c) and (d) of Section 172 of the Internal  
5 Revenue Code, provided that when taxable income of a  
6 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  
10 or subparagraph (E) of paragraph (2) of subsection (c)  
11 for trusts and estates, exceed subtraction modifications,  
12 an 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  
17 subsection (e) applied in conjunction with Section 172 of  
18 the Internal Revenue Code.

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

22 (A) Certain life insurance companies. In the  
23 case of a life insurance company subject to the tax  
24 imposed by Section 801 of the Internal Revenue Code,  
25 life insurance company taxable income, plus the  
26 amount of distribution from pre-1984 policyholder  
27 surplus accounts as calculated under Section 815a of  
28 the Internal Revenue Code;

29 (B) Certain other insurance companies. In the  
30 case of mutual insurance companies subject to the  
31 tax imposed by Section 831 of the Internal Revenue  
32 Code, insurance company taxable income;

33 (C) Regulated investment companies. In the  
34 case of a regulated investment company subject to

1 the tax imposed by Section 852 of the Internal  
2 Revenue Code, investment company taxable income;

3 (D) Real estate investment trusts. In the  
4 case of a real estate investment trust subject to  
5 the tax imposed by Section 857 of the Internal  
6 Revenue Code, real estate investment trust taxable  
7 income;

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

21 (F) Cooperatives. In the case of a  
22 cooperative corporation or association, the taxable  
23 income of such organization determined in accordance  
24 with the provisions of Section 1381 through 1388 of  
25 the Internal Revenue Code;

26 (G) Subchapter S corporations. In the case  
27 of: (i) a Subchapter S corporation for which there  
28 is in effect an election for the taxable year under  
29 Section 1362 of the Internal Revenue Code, the  
30 taxable income of such corporation determined in  
31 accordance with Section 1363(b) of the Internal  
32 Revenue Code, except that taxable income shall take  
33 into account those items which are required by  
34 Section 1363(b)(1) of the Internal Revenue Code to

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

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

18 (f) Valuation limitation amount.

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

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

28 (B) The lesser of (i) the sum of the  
29 pre-August 1, 1969 appreciation amounts (to the  
30 extent consisting of capital gain) for all property  
31 in respect of which such gain was reported for  
32 federal income tax purposes for the taxable year, or  
33 (ii) the net capital gain for the taxable year,  
34 reduced in either case by any amount of such gain

1 included in the amount determined under subsection  
2 (a) (2) (F) or (c) (2) (H).

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

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

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

27 (C) The Department shall prescribe such  
28 regulations as may be necessary to carry out the  
29 purposes of this paragraph.

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

33 (h) Legislative intention. Except as expressly provided

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

9 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;  
 10 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.  
 11 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,  
 12 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;  
 13 revised 1-15-01.)

14 (35 ILCS 5/804) (from Ch. 120, par. 8-804)

15 Sec. 804. Failure to Pay Estimated Tax.

16 (a) In general. In case of any underpayment of estimated  
 17 tax by a taxpayer, except as provided in subsection (d) or  
 18 (e), the taxpayer shall be liable to a penalty in an amount  
 19 determined at the rate prescribed by Section 3-3 of the  
 20 Uniform Penalty and Interest Act upon the amount of the  
 21 underpayment (determined under subsection (b)) for each  
 22 required installment.

23 (b) Amount of underpayment. For purposes of subsection  
 24 (a), the amount of the underpayment shall be the excess of:

25 (1) the amount of the installment which would be  
 26 required to be paid under subsection (c), over

27 (2) the amount, if any, of the installment paid on  
 28 or before the last date prescribed for payment.

29 (c) Amount of Required Installments.

30 (1) Amount.

31 (A) In General. Except as provided in  
 32 paragraph (2), the amount of any required  
 33 installment shall be 25% of the required annual

1 payment.

2 (B) Required Annual Payment. For purposes of  
3 subparagraph (A), the term "required annual payment"  
4 means the lesser of

5 (i) 90% of the tax shown on the return  
6 for the taxable year, or if no return is filed,  
7 90% of the tax for such year, or

8 (ii) 100% of the tax shown on the return  
9 of the taxpayer for the preceding taxable year  
10 if a return showing a liability for tax was  
11 filed by the taxpayer for the preceding taxable  
12 year and such preceding year was a taxable year  
13 of 12 months.

14 (2) Lower Required Installment where Annualized  
15 Income Installment is Less Than Amount Determined Under  
16 Paragraph (1).

17 (A) In General. In the case of any required  
18 installment if a taxpayer establishes that the  
19 annualized income installment is less than the  
20 amount determined under paragraph (1),

21 (i) the amount of such required  
22 installment shall be the annualized income  
23 installment, and

24 (ii) any reduction in a required  
25 installment resulting from the application of  
26 this subparagraph shall be recaptured by  
27 increasing the amount of the next required  
28 installment determined under paragraph (1) by  
29 the amount of such reduction, and by increasing  
30 subsequent required installments to the extent  
31 that the reduction has not previously been  
32 recaptured under this clause.

33 (B) Determination of Annualized Income  
34 Installment. In the case of any required



1 installment, the annualized income installment is  
2 the excess, if any, of

3 (i) an amount equal to the applicable  
4 percentage of the tax for the taxable year  
5 computed by placing on an annualized basis the  
6 net income for months in the taxable year  
7 ending before the due date for the installment,  
8 over

9 (ii) the aggregate amount of any prior  
10 required installments for the taxable year.

11 (C) Applicable Percentage.

12	In the case of the following	The applicable
13	required installments:	percentage is:
14	1st .....	22.5%
15	2nd .....	45%
16	3rd .....	67.5%
17	4th .....	90%

18 (D) Annualized Net Income; Individuals. For  
19 individuals, net income shall be placed on an  
20 annualized basis by:

21 (i) multiplying by 12, or in the case of  
22 a taxable year of less than 12 months, by the  
23 number of months in the taxable year, the net  
24 income computed without regard to the standard  
25 exemption for the months in the taxable year  
26 ending before the month in which the  
27 installment is required to be paid;

28 (ii) dividing the resulting amount by the  
29 number of months in the taxable year ending  
30 before the month in which such installment date  
31 falls; and

32 (iii) deducting from such amount the  
33 standard exemption allowable for the taxable  
34 year, such standard exemption being determined

1 as of the last date prescribed for payment of  
2 the installment.

3 (E) Annualized Net Income; Corporations. For  
4 corporations, net income shall be placed on an  
5 annualized basis by multiplying by 12 the taxable  
6 income

7 (i) for the first 3 months of the taxable  
8 year, in the case of the installment required  
9 to be paid in the 4th month,

10 (ii) for the first 3 months or for the  
11 first 5 months of the taxable year, in the case  
12 of the installment required to be paid in the  
13 6th month,

14 (iii) for the first 6 months or for the  
15 first 8 months of the taxable year, in the case  
16 of the installment required to be paid in the  
17 9th month, and

18 (iv) for the first 9 months or for the  
19 first 11 months of the taxable year, in the  
20 case of the installment required to be paid in  
21 the 12th month of the taxable year,

22 then dividing the resulting amount by the number of  
23 months in the taxable year (3, 5, 6, 8, 9, or 11 as  
24 the case may be).

25 (d) Exceptions. Notwithstanding the provisions of the  
26 preceding subsections, the penalty imposed by subsection (a)  
27 shall not be imposed if the taxpayer was not required to file  
28 an Illinois income tax return for the preceding taxable year,  
29 if the taxpayer has underpaid taxes solely because of the  
30 increased rate in effect during the period from July 1, 2001  
31 through December 2001, or, for individuals, if the taxpayer  
32 had no tax liability for the preceding taxable year and such  
33 year was a taxable year of 12 months. The penalty imposed by  
34 subsection (a) shall also not be imposed on any underpayments

1 of estimated tax due before the effective date of this  
2 amendatory Act of 1998 which underpayments are solely  
3 attributable to the change in apportionment from subsection  
4 (a) to subsection (h) of Section 304. The provisions of this  
5 amendatory Act of 1998 apply to tax years ending on or after  
6 December 31, 1998.

7 (e) The penalty imposed for underpayment of estimated  
8 tax by subsection (a) of this Section shall not be imposed to  
9 the extent that the Department or his designate determines,  
10 pursuant to Section 3-8 of the Uniform Penalty and Interest  
11 Act that the penalty should not be imposed.

12 (f) Definition of tax. For purposes of subsections (b)  
13 and (c), the term "tax" means the excess of the tax imposed  
14 under Article 2 of this Act, over the amounts credited  
15 against such tax under Sections 601(b) (3) and (4).

16 (g) Application of Section in case of tax withheld on  
17 compensation. For purposes of applying this Section in the  
18 case of an individual, tax withheld under Article 7 for the  
19 taxable year shall be deemed a payment of estimated tax, and  
20 an equal part of such amount shall be deemed paid on each  
21 installment date for such taxable year, unless the taxpayer  
22 establishes the dates on which all amounts were actually  
23 withheld, in which case the amounts so withheld shall be  
24 deemed payments of estimated tax on the dates on which such  
25 amounts were actually withheld.

26 (g-5) Amounts withheld under the State Salary and  
27 Annuity Withholding Act. An individual who has amounts  
28 withheld under paragraph (10) of Section 4 of the State  
29 Salary and Annuity Withholding Act may elect to have those  
30 amounts treated as payments of estimated tax made on the  
31 dates on which those amounts are actually withheld.

32 (i) Short taxable year. The application of this Section  
33 to taxable years of less than 12 months shall be in  
34 accordance with regulations prescribed by the Department.

1           The changes in this Section made by Public Act 84-127  
2 shall apply to taxable years ending on or after January 1,  
3 1986.

4 (Source: P.A. 90-448, eff. 8-16-97; 90-613, eff. 7-9-98.)

5           (35 ILCS 5/901) (from Ch. 120, par. 9-901)

6           Sec. 901. Collection Authority.

7           (a) In general.

8           The Department shall collect the taxes imposed by this  
9 Act. The Department shall collect certified past due child  
10 support amounts under Section 2505-650 of the Department of  
11 Revenue Law (20 ILCS 2505/2505-650). Except as provided in  
12 subsections (c) and (e) of this Section, money collected  
13 pursuant to subsections (a) and (b) of Section 201 of this  
14 Act shall be paid into the General Revenue Fund in the State  
15 treasury; money collected pursuant to subsections (c) and (d)  
16 of Section 201 of this Act shall be paid into the Personal  
17 Property Tax Replacement Fund, a special fund in the State  
18 Treasury; and money collected under Section 2505-650 of the  
19 Department of Revenue Law (20 ILCS 2505/2505-650) shall be  
20 paid into the Child Support Enforcement Trust Fund, a special  
21 fund outside the State Treasury, or to the State Disbursement  
22 Unit established under Section 10-26 of the Illinois Public  
23 Aid Code, as directed by the Department of Public Aid.

24           (b) Local Governmental Distributive Fund.

25           Beginning August 1, 1969, and continuing through June 30,  
26 1994, the Treasurer shall transfer each month from the  
27 General Revenue Fund to a special fund in the State treasury,  
28 to be known as the "Local Government Distributive Fund", an  
29 amount equal to 1/12 of the net revenue realized from the tax  
30 imposed by subsections (a) and (b) of Section 201 of this Act  
31 during the preceding month. Beginning July 1, 1994, and  
32 continuing through June 30, 1995, the Treasurer shall  
33 transfer each month from the General Revenue Fund to the

1 Local Government Distributive Fund an amount equal to 1/11 of  
2 the net revenue realized from the tax imposed by subsections  
3 (a) and (b) of Section 201 of this Act during the preceding  
4 month. Beginning July 1, 1995, the Treasurer shall transfer  
5 each month from the General Revenue Fund to the Local  
6 Government Distributive Fund an amount equal to 1/10 of the  
7 net revenue realized from the tax imposed by subsections (a)  
8 and (b) of Section 201 of the Illinois Income Tax Act during  
9 the preceding month. Net revenue realized for a month shall  
10 be defined as the revenue from the tax imposed by subsections  
11 (a) and (b) of Section 201 of this Act which is deposited in  
12 the General Revenue Fund, the Educational Assistance Fund and  
13 the Income Tax Surcharge Local Government Distributive Fund  
14 during the month (but not including revenue attributable to  
15 the increase in tax rates imposed under this amendatory Act  
16 of the 92nd General Assembly) minus the amount paid out of  
17 the General Revenue Fund in State warrants during that same  
18 month as refunds to taxpayers for overpayment of liability  
19 under the tax imposed by subsections (a) and (b) of Section  
20 201 of this Act.

21 (c) Deposits Into Income Tax Refund Fund.

22 (1) Beginning on January 1, 1989 and thereafter,  
23 the Department shall deposit a percentage of the amounts  
24 collected pursuant to subsections (a) and (b)(1), (2),  
25 and (3), (4), and (5) of Section 201 of this Act into a  
26 fund in the State treasury known as the Income Tax Refund  
27 Fund. The Department shall deposit 6% of such amounts  
28 during the period beginning January 1, 1989 and ending on  
29 June 30, 1989. Beginning with State fiscal year 1990 and  
30 for each fiscal year thereafter, the percentage deposited  
31 into the Income Tax Refund Fund during a fiscal year  
32 shall be the Annual Percentage. For fiscal years 1999  
33 through 2001, the Annual Percentage shall be 7.1%. For  
34 all other fiscal years, the Annual Percentage shall be

1 calculated as a fraction, the numerator of which shall be  
2 the amount of refunds approved for payment by the  
3 Department during the preceding fiscal year as a result  
4 of overpayment of tax liability under subsections (a) and  
5 (b)(1), (2), and (3), (4), and (5) of Section 201 of this  
6 Act plus the amount of such refunds remaining approved  
7 but unpaid at the end of the preceding fiscal year, the  
8 denominator of which shall be the amounts which will be  
9 collected pursuant to subsections (a) and (b)(1), (2),  
10 and (3), (4), and (5) of Section 201 of this Act during  
11 the preceding fiscal year. The Director of Revenue shall  
12 certify the Annual Percentage to the Comptroller on the  
13 last business day of the fiscal year immediately  
14 preceding the fiscal year for which it is to be  
15 effective.

16 (2) Beginning on January 1, 1989 and thereafter,  
17 the Department shall deposit a percentage of the amounts  
18 collected pursuant to subsections (a) and (b)(6), (7),  
19 and (8), (c) and (d) of Section 201 of this Act into a  
20 fund in the State treasury known as the Income Tax Refund  
21 Fund. The Department shall deposit 18% of such amounts  
22 during the period beginning January 1, 1989 and ending on  
23 June 30, 1989. Beginning with State fiscal year 1990 and  
24 for each fiscal year thereafter, the percentage deposited  
25 into the Income Tax Refund Fund during a fiscal year  
26 shall be the Annual Percentage. For fiscal years 1999,  
27 2000, and 2001, the Annual Percentage shall be 19%. For  
28 all other fiscal years, the Annual Percentage shall be  
29 calculated as a fraction, the numerator of which shall be  
30 the amount of refunds approved for payment by the  
31 Department during the preceding fiscal year as a result  
32 of overpayment of tax liability under subsections (a) and  
33 (b)(6), (7), and (8), (c) and (d) of Section 201 of this  
34 Act plus the amount of such refunds remaining approved

1 but unpaid at the end of the preceding fiscal year, the  
2 denominator of which shall be the amounts which will be  
3 collected pursuant to subsections (a) and (b)(6), (7),  
4 and (8), (c) and (d) of Section 201 of this Act during  
5 the preceding fiscal year. The Director of Revenue shall  
6 certify the Annual Percentage to the Comptroller on the  
7 last business day of the fiscal year immediately  
8 preceding the fiscal year for which it is to be  
9 effective.

10 (3) The Comptroller shall order transferred and the  
11 Treasurer shall transfer from the Tobacco Settlement  
12 Recovery Fund to the Income Tax Refund Fund (i)  
13 \$35,000,000 in January, 2001, (ii) \$35,000,000 in  
14 January, 2002, and (iii) \$35,000,000 in January, 2003.

15 (d) Expenditures from Income Tax Refund Fund.

16 (1) Beginning January 1, 1989, money in the Income  
17 Tax Refund Fund shall be expended exclusively for the  
18 purpose of paying refunds resulting from overpayment of  
19 tax liability under Section 201 of this Act, for paying  
20 rebates under Section 208.1 in the event that the amounts  
21 in the Homeowners' Tax Relief Fund are insufficient for  
22 that purpose, and for making transfers pursuant to this  
23 subsection (d).

24 (2) The Director shall order payment of refunds  
25 resulting from overpayment of tax liability under Section  
26 201 of this Act from the Income Tax Refund Fund only to  
27 the extent that amounts collected pursuant to Section 201  
28 of this Act and transfers pursuant to this subsection (d)  
29 and item (3) of subsection (c) have been deposited and  
30 retained in the Fund.

31 (3) As soon as possible after the end of each  
32 fiscal year, the Director shall order transferred and the  
33 State Treasurer and State Comptroller shall transfer from  
34 the Income Tax Refund Fund to the Personal Property Tax

1 Replacement Fund an amount, certified by the Director to  
2 the Comptroller, equal to the excess of the amount  
3 collected pursuant to subsections (c) and (d) of Section  
4 201 of this Act deposited into the Income Tax Refund Fund  
5 during the fiscal year over the amount of refunds  
6 resulting from overpayment of tax liability under  
7 subsections (c) and (d) of Section 201 of this Act paid  
8 from the Income Tax Refund Fund during the fiscal year.

9 (4) As soon as possible after the end of each  
10 fiscal year, the Director shall order transferred and the  
11 State Treasurer and State Comptroller shall transfer from  
12 the Personal Property Tax Replacement Fund to the Income  
13 Tax Refund Fund an amount, certified by the Director to  
14 the Comptroller, equal to the excess of the amount of  
15 refunds resulting from overpayment of tax liability under  
16 subsections (c) and (d) of Section 201 of this Act paid  
17 from the Income Tax Refund Fund during the fiscal year  
18 over the amount collected pursuant to subsections (c) and  
19 (d) of Section 201 of this Act deposited into the Income  
20 Tax Refund Fund during the fiscal year.

21 (4.5) As soon as possible after the end of fiscal  
22 year 1999 and of each fiscal year thereafter, the  
23 Director shall order transferred and the State Treasurer  
24 and State Comptroller shall transfer from the Income Tax  
25 Refund Fund to the General Revenue Fund any surplus  
26 remaining in the Income Tax Refund Fund as of the end of  
27 such fiscal year; excluding for fiscal years 2000, 2001,  
28 and 2002 amounts attributable to transfers under item (3)  
29 of subsection (c) less refunds resulting from the earned  
30 income tax credit.

31 (5) This Act shall constitute an irrevocable and  
32 continuing appropriation from the Income Tax Refund Fund  
33 for the purpose of paying refunds upon the order of the  
34 Director in accordance with the provisions of this



1 Section.

2 (e) Deposits into the Education Assistance Fund and the  
3 Income Tax Surcharge Local Government Distributive Fund.

4 On July 1, 1991, and thereafter until August 1, 2001, of  
5 the amounts collected pursuant to subsections (a) and (b) of  
6 Section 201 of this Act, minus deposits into the Income Tax  
7 Refund Fund, the Department shall deposit 7.3% into the  
8 Education Assistance Fund in the State Treasury. On August  
9 1, 2001 and thereafter, of the amounts collected pursuant to  
10 subsections (a) and (b) of Section 201 of this Act, minus  
11 deposits into the Income Tax Refund Fund, the Department  
12 shall deposit 5.84% into the Education Assistance Fund in the  
13 State Treasury.

14 Beginning July 1, 1991, and continuing through January  
15 31, 1993, of the amounts collected pursuant to subsections  
16 (a) and (b) of Section 201 of the Illinois Income Tax Act,  
17 minus deposits into the Income Tax Refund Fund, the  
18 Department shall deposit 3.0% into the Income Tax Surcharge  
19 Local Government Distributive Fund in the State Treasury.  
20 Beginning February 1, 1993 and continuing through June 30,  
21 1993, of the amounts collected pursuant to subsections (a)  
22 and (b) of Section 201 of the Illinois Income Tax Act, minus  
23 deposits into the Income Tax Refund Fund, the Department  
24 shall deposit 4.4% into the Income Tax Surcharge Local  
25 Government Distributive Fund in the State Treasury. Beginning  
26 July 1, 1993, and continuing through June 30, 1994, of the  
27 amounts collected under subsections (a) and (b) of Section  
28 201 of this Act, minus deposits into the Income Tax Refund  
29 Fund, the Department shall deposit 1.475% into the Income Tax  
30 Surcharge Local Government Distributive Fund in the State  
31 Treasury.

32 (f) Deposits into the Education Property Tax Relief  
33 Fund.

34 On August 1, 2001 and thereafter, of the amounts

1 collected pursuant to subsections (a), (b)(4)(ii), and (b)(5)  
2 of Section 201 of this Act, minus deposits into the Income  
3 Tax Refund Fund, the Department shall deposit 12.00% into the  
4 Education Property Tax Relief Fund.

5 (g) Deposits into the Common School Fund.

6 On August 1, 2001 and thereafter, of the amounts  
7 collected pursuant to subsections (a), (b)(4)(ii), and (b)(5)  
8 of Section 201 of this Act, minus deposits into the Income  
9 Tax Refund Fund, the Department shall deposit 9.33% into the  
10 Common School Fund.

11 (Source: P.A. 90-613, eff. 7-9-98; 90-655, eff. 7-30-98;  
12 91-212, eff. 7-20-99; 91-239, eff. 1-1-00; 91-700, eff.  
13 5-11-00; 91-704, eff. 7-1-00; 91-712, eff. 7-1-00; revised  
14 6-28-00.)

15 Section 20. The Property Tax Code is amended by changing  
16 Sections 18-249, 18-255, 20-15, and 21-30 and adding Section  
17 18-162 as follows:

18 (35 ILCS 200/18-162 new)

19 Section 18-162. School Tax Abatement. Beginning with  
20 taxes levied for 2001 and extended in 2002, after determining  
21 the final extension for a parcel or that portion of a parcel  
22 that is eligible for the General Homestead Exemption under  
23 Section 15-175, or for that parcel or that portion of a  
24 parcel or farm improvement that is eligible for assessment as  
25 a farm under Sections 10-110 through 10-140, the county clerk  
26 shall abate part of that extension for each school district  
27 subject to the School Code in which the parcel or portion of  
28 a parcel or farm improvement is located. The rate for this  
29 abatement shall be calculated by the county clerk by dividing  
30 the amount certified by the Department under Section 7 of the  
31 State Revenue Sharing Act to be distributed from the  
32 Education Property Tax Relief Fund for the county's portion

1 of the school district by the equalized assessed valuation  
2 used in calculating tax rates under Section 18-45 in the  
3 school district in the county of those parcels or portions of  
4 parcels or farm improvements eligible for abatement under  
5 this Section.

6 (35 ILCS 200/18-249)

7 Sec. 18-249. Miscellaneous provisions.

8 (a) Certification of new property. For the 1994 levy  
9 year, the chief county assessment officer shall certify to  
10 the county clerk, after all changes by the board of review or  
11 board of appeals, as the case may be, the assessed value of  
12 new property by taxing district for the 1994 levy year under  
13 rules promulgated by the Department.

14 (b) (Blank). ~~School-Code--A-school-district's-State-aid~~  
15 ~~shall--not-be-reduced-under-the-computation-under-subsections~~  
16 ~~5(a)-through-5(h)-of-Part-A-of-Section--18-8--of--the--School~~  
17 ~~Code--due--to--the--operating-tax-rate-falling-from-above-the~~  
18 ~~minimum-requirement-of-that-Section-of--the--School--Code--to~~  
19 ~~below--the--minimum-requirement-of-that-Section-of-the-School~~  
20 ~~Code-due-to-the-operation-of-this-Law.~~

21 (c) Rules. The Department shall make and promulgate  
22 reasonable rules relating to the administration of the  
23 purposes and provisions of Sections 18-246 through 18-249 as  
24 may be necessary or appropriate.

25 (Source: P.A. 89-1, eff. 2-12-95.)

26 (35 ILCS 200/18-255)

27 Sec. 18-255. Abstract of assessments and extensions.  
28 Within 30 days of completing When the collector's books are  
29 completed, the county clerk shall make a complete statement  
30 of the assessment and extensions, in conformity to the  
31 instructions of the Department. The clerk shall certify the  
32 statement to the Department. Beginning with the 2000 levy

1 year, the Department shall require the statement to include a  
 2 separate listing of the extensions subject to abatement  
 3 pursuant to Section 18-162. If the county clerk is unable to  
 4 complete the statement for the 2000 levy year prior to  
 5 September 1, 2001, the county clerk shall provide such  
 6 separate listing for the 1999 levy year by September 1, 2001.  
 7 (Source: Laws 1943, vol. 1, p. 1136; P.A. 88-455.)

8 (35 ILCS 200/20-15)

9 Sec. 20-15. Information on bill or separate statement.  
 10 The amount of tax due and rates shown on the tax bill  
 11 pursuant to this Section shall be net of any abatement under  
 12 Section 18-162 of the Property Tax Code. There shall be  
 13 printed on each bill, or on a separate slip which shall be  
 14 mailed with the bill:

15 (a) a statement itemizing the rate at which taxes  
 16 have been extended for each of the taxing districts in  
 17 the county in whose district the property is located, and  
 18 in those counties utilizing electronic data processing  
 19 equipment the dollar amount of tax due from the person  
 20 assessed allocable to each of those taxing districts,  
 21 including a separate statement of the dollar amount of  
 22 tax due which is allocable to a tax levied under the  
 23 Illinois Local Library Act or to any other tax levied by  
 24 a municipality or township for public library purposes,

25 (b) a separate statement for each of the taxing  
 26 districts of the dollar amount of tax due which is  
 27 allocable to a tax levied under the Illinois Pension Code  
 28 or to any other tax levied by a municipality or township  
 29 for public pension or retirement purposes,

30 (c) the total tax rate,

31 (d) the total amount of tax due, and

32 (e) the amount by which the total tax and the tax  
 33 allocable to each taxing district differs from the

1 taxpayer's last prior tax bill, and

2 (f) the amount of tax abated under Section 18-162  
3 labeled "Your School Tax Refund".

4 The county treasurer shall ensure that only those taxing  
5 districts in which a parcel of property is located shall be  
6 listed on the bill for that property.

7 In all counties the statement shall also provide:

8 (1) the property index number or other suitable  
9 description,

10 (2) the assessment of the property,

11 (3) the equalization factors imposed by the county  
12 and by the Department, and

13 (4) the equalized assessment resulting from the  
14 application of the equalization factors to the basic  
15 assessment.

16 In all counties which do not classify property for  
17 purposes of taxation, for property on which a single family  
18 residence is situated the statement shall also include a  
19 statement to reflect the fair cash value determined for the  
20 property. In all counties which classify property for  
21 purposes of taxation in accordance with Section 4 of Article  
22 IX of the Illinois Constitution, for parcels of residential  
23 property in the lowest assessment classification the  
24 statement shall also include a statement to reflect the fair  
25 cash value determined for the property.

26 In all counties, the statement shall include information  
27 that certain taxpayers may be eligible for the Senior  
28 Citizens and Disabled Persons Property Tax Relief and  
29 Pharmaceutical Assistance Act and that applications are  
30 available from the Illinois Department of Revenue.

31 In counties which use the estimated or accelerated  
32 billing methods, these statements shall only be provided with  
33 the final installment of taxes due, except that the statement  
34 under item (f) shall be included with both installments in

1 those counties under estimated or accelerated billing  
2 methods, the first billing showing the amount deducted from  
3 the first installment, and the final billing showing the  
4 total tax abated for the levy year under Section 18-162. The  
5 provisions of this Section create a mandatory statutory duty.  
6 They are not merely directory or discretionary. The failure  
7 or neglect of the collector to mail the bill, or the failure  
8 of the taxpayer to receive the bill, shall not affect the  
9 validity of any tax, or the liability for the payment of any  
10 tax.

11 (Source: P.A. 91-699, eff. 1-1-01.)

12 (35 ILCS 200/21-30)

13 Sec. 21-30. Accelerated billing. Except as provided in  
14 this Section and Section 21-40, in counties with 3,000,000 or  
15 more inhabitants, by January 31 annually, estimated tax bills  
16 setting out the first installment of property taxes for the  
17 preceding year, payable in that year, shall be prepared and  
18 mailed. The first installment of taxes on the estimated tax  
19 bills shall be computed at 50% of the total of each tax bill  
20 before the abatement of taxes under Section 18-162 for the  
21 preceding year, less an estimate of half of the School Tax  
22 Abatement for the current year for eligible parcels and  
23 portions of parcels and farm improvements based on a rate  
24 calculated by the county clerk by dividing 50% of the amount  
25 certified by the Department under Section 7 of the State  
26 Revenue Sharing Act to be distributed from the Education  
27 Property Tax Relief Fund for the county's portion of the  
28 school district by the equalized assessed valuation used in  
29 calculating tax rates for the preceding year under Section  
30 18-45 in the school district in the county of those parcels  
31 or portions of parcels or farm improvements eligible for an  
32 abatement under this Section. By June 30 annually, actual  
33 tax bills shall be prepared and mailed. These bills shall set

1 out total taxes due and the amount of estimated taxes billed  
2 in the first installment, and shall state the balance of  
3 taxes due for that year as represented by the sum derived  
4 from subtracting the amount of the first installment from the  
5 total taxes due for that year.

6 The county board may provide by ordinance, in counties  
7 with 3,000,000 or more inhabitants, for taxes to be paid in 4  
8 installments. For the levy year for which the ordinance is  
9 first effective and each subsequent year, estimated tax bills  
10 setting out the first, second, and third installment of taxes  
11 for the preceding year, payable in that year, shall be  
12 prepared and mailed not later than the date specified by  
13 ordinance. Each installment on estimated tax bills shall be  
14 computed at 25% of the total of each tax bill for the  
15 preceding year. By the date specified in the ordinance,  
16 actual tax bills shall be prepared and mailed. These bills  
17 shall set out total taxes due and the amount of estimated  
18 taxes billed in the first, second, and third installments and  
19 shall state the balance of taxes due for that year as  
20 represented by the sum derived from subtracting the amount of  
21 the estimated installments from the total taxes due for that  
22 year.

23 The county board of any county with less than 3,000,000  
24 inhabitants may, by ordinance or resolution, adopt an  
25 accelerated method of tax billing. The county board may  
26 subsequently rescind the ordinance or resolution and revert  
27 to the method otherwise provided for in this Code.

28 Taxes levied on homestead property in which a member of  
29 the National Guard or reserves of the armed forces of the  
30 United States who was called to active duty on or after  
31 August 1, 1990, and who has an ownership interest shall not  
32 be deemed delinquent and no interest shall accrue or be  
33 charged as a penalty on such taxes due and payable in 1991 or  
34 1992 until one year after that member returns to civilian

1 status.

2 (Source: P.A. 87-17; 87-340; 87-895; 88-455.)

3 Section 30. The School Code is amended by changing  
4 Section 18-8.05 as follows:

5 (105 ILCS 5/18-8.05)

6 Sec. 18-8.05. Basis for apportionment of general State  
7 financial aid and supplemental general State aid to the  
8 common schools for the 1998-1999 and subsequent school years.

9 (A) General Provisions.

10 (1) The provisions of this Section apply to the  
11 1998-1999 and subsequent school years. The system of general  
12 State financial aid provided for in this Section is designed  
13 to assure that, through a combination of State financial aid  
14 and required local resources, the financial support provided  
15 each pupil in Average Daily Attendance equals or exceeds a  
16 prescribed per pupil Foundation Level. This formula approach  
17 imputes a level of per pupil Available Local Resources and  
18 provides for the basis to calculate a per pupil level of  
19 general State financial aid that, when added to Available  
20 Local Resources, equals or exceeds the Foundation Level. The  
21 amount of per pupil general State financial aid for school  
22 districts, in general, varies in inverse relation to  
23 Available Local Resources. Per pupil amounts are based upon  
24 each school district's Average Daily Attendance as that term  
25 is defined in this Section.

26 (2) In addition to general State financial aid, school  
27 districts with specified levels or concentrations of pupils  
28 from low income households are eligible to receive  
29 supplemental general State financial aid grants as provided  
30 pursuant to subsection (H). The supplemental State aid grants  
31 provided for school districts under subsection (H) shall be  
32 appropriated for distribution to school districts as part of



1 the same line item in which the general State financial aid  
2 of school districts is appropriated under this Section.

3 (3) To receive financial assistance under this Section,  
4 school districts are required to file claims with the State  
5 Board of Education, subject to the following requirements:

6 (a) Any school district which fails for any given  
7 school year to maintain school as required by law, or to  
8 maintain a recognized school is not eligible to file for  
9 such school year any claim upon the Common School Fund.  
10 In case of nonrecognition of one or more attendance  
11 centers in a school district otherwise operating  
12 recognized schools, the claim of the district shall be  
13 reduced in the proportion which the Average Daily  
14 Attendance in the attendance center or centers bear to  
15 the Average Daily Attendance in the school district. A  
16 "recognized school" means any public school which meets  
17 the standards as established for recognition by the State  
18 Board of Education. A school district or attendance  
19 center not having recognition status at the end of a  
20 school term is entitled to receive State aid payments due  
21 upon a legal claim which was filed while it was  
22 recognized.

23 (b) School district claims filed under this Section  
24 are subject to Sections 18-9, 18-10, and 18-12, except as  
25 otherwise provided in this Section.

26 (c) If a school district operates a full year  
27 school under Section 10-19.1, the general State aid to  
28 the school district shall be determined by the State  
29 Board of Education in accordance with this Section as  
30 near as may be applicable.

31 (d) (Blank).

32 (4) Except as provided in subsections (H) and (L), the  
33 board of any district receiving any of the grants provided  
34 for in this Section may apply those funds to any fund so

1 received for which that board is authorized to make  
2 expenditures by law.

3 School districts are not required to exert a minimum  
4 Operating Tax Rate in order to qualify for assistance under  
5 this Section.

6 (5) As used in this Section the following terms, when  
7 capitalized, shall have the meaning ascribed herein:

8 (a) "Average Daily Attendance": A count of pupil  
9 attendance in school, averaged as provided for in  
10 subsection (C) and utilized in deriving per pupil  
11 financial support levels.

12 (b) "Available Local Resources": A computation of  
13 local financial support, calculated on the basis of  
14 Average Daily Attendance and derived as provided pursuant  
15 to subsection (D).

16 (c) "Corporate Personal Property Replacement  
17 Taxes": Funds paid to local school districts pursuant to  
18 "An Act in relation to the abolition of ad valorem  
19 personal property tax and the replacement of revenues  
20 lost thereby, and amending and repealing certain Acts and  
21 parts of Acts in connection therewith", certified August  
22 14, 1979, as amended (Public Act 81-1st S.S.-1).

23 (d) "Foundation Level": A prescribed level of per  
24 pupil financial support as provided for in subsection  
25 (B).

26 (e) "Operating Tax Rate": All school district  
27 property taxes extended for all purposes, except Bond and  
28 Interest, Summer School, Rent, Capital Improvement, and  
29 Vocational Education Building purposes.

30 (B) Foundation Level.

31 (1) The Foundation Level is a figure established by the  
32 State representing the minimum level of per pupil financial  
33 support that should be available to provide for the basic  
34 education of each pupil in Average Daily Attendance. As set

1 forth in this Section, each school district is assumed to  
2 exert a sufficient local taxing effort such that, in  
3 combination with the aggregate of general State financial aid  
4 provided the district, an aggregate of State and local  
5 resources are available to meet the basic education needs of  
6 pupils in the district.

7 (2) For the 1998-1999 school year, the Foundation Level  
8 of support is \$4,225. For the 1999-2000 school year, the  
9 Foundation Level of support is \$4,325. For the 2000-2001  
10 school year, the Foundation Level of support is \$4,425.

11 (3) For the 2001-2002 school year and each school year  
12 thereafter, the Foundation Level of support is \$4,425 or such  
13 greater amount as may be established by law by the General  
14 Assembly.

15 (C) Average Daily Attendance.

16 (1) For purposes of calculating general State aid  
17 pursuant to subsection (E), an Average Daily Attendance  
18 figure shall be utilized. The Average Daily Attendance  
19 figure for formula calculation purposes shall be the monthly  
20 average of the actual number of pupils in attendance of each  
21 school district, as further averaged for the best 3 months of  
22 pupil attendance for each school district. In compiling the  
23 figures for the number of pupils in attendance, school  
24 districts and the State Board of Education shall, for  
25 purposes of general State aid funding, conform attendance  
26 figures to the requirements of subsection (F).

27 (2) The Average Daily Attendance figures utilized in  
28 subsection (E) shall be the requisite attendance data for the  
29 school year immediately preceding the school year for which  
30 general State aid is being calculated, except that a district  
31 with a best 3 months Average Daily Attendance figure lower  
32 than that of the same Average Daily Attendance for the  
33 preceding school year shall be entitled to have its general  
34 State aid based upon the best 3 months Average Daily

1 Attendance figure that is an average of the 3 school years  
2 preceding the year for which general State aid is being  
3 calculated, if that produces a greater amount.

4 (D) Available Local Resources.

5 (1) For purposes of calculating general State aid  
6 pursuant to subsection (E), a representation of Available  
7 Local Resources per pupil, as that term is defined and  
8 determined in this subsection, shall be utilized. Available  
9 Local Resources per pupil shall include a calculated dollar  
10 amount representing local school district revenues from local  
11 property taxes and from Corporate Personal Property  
12 Replacement Taxes, expressed on the basis of pupils in  
13 Average Daily Attendance.

14 (2) In determining a school district's revenue from  
15 local property taxes, the State Board of Education shall  
16 utilize the equalized assessed valuation of all taxable  
17 property of each school district as of September 30 of the  
18 previous year. The equalized assessed valuation utilized  
19 shall be obtained and determined as provided in subsection  
20 (G).

21 (3) For school districts maintaining grades kindergarten  
22 through 12, local property tax revenues per pupil shall be  
23 calculated as the product of the applicable equalized  
24 assessed valuation for the district multiplied by 3.00%, and  
25 divided by the district's Average Daily Attendance figure.  
26 For school districts maintaining grades kindergarten through  
27 8, local property tax revenues per pupil shall be calculated  
28 as the product of the applicable equalized assessed valuation  
29 for the district multiplied by 2.30%, and divided by the  
30 district's Average Daily Attendance figure. For school  
31 districts maintaining grades 9 through 12, local property tax  
32 revenues per pupil shall be the applicable equalized assessed  
33 valuation of the district multiplied by 1.05%, and divided by  
34 the district's Average Daily Attendance figure.

1           (4) The Corporate Personal Property Replacement Taxes  
2 paid to each school district during the calendar year 2 years  
3 before the calendar year in which a school year begins,  
4 divided by the Average Daily Attendance figure for that  
5 district, shall be added to the local property tax revenues  
6 per pupil as derived by the application of the immediately  
7 preceding paragraph (3). The sum of these per pupil figures  
8 for each school district shall constitute Available Local  
9 Resources as that term is utilized in subsection (E) in the  
10 calculation of general State aid.

11       (E) Computation of General State Aid.

12           (1) For each school year, the amount of general State  
13 aid allotted to a school district shall be computed by the  
14 State Board of Education as provided in this subsection.

15           (2) For any school district for which Available Local  
16 Resources per pupil is less than the product of 0.93 times  
17 the Foundation Level, general State aid for that district  
18 shall be calculated as an amount equal to the Foundation  
19 Level minus Available Local Resources, multiplied by the  
20 Average Daily Attendance of the school district.

21           (3) For any school district for which Available Local  
22 Resources per pupil is equal to or greater than the product  
23 of 0.93 times the Foundation Level and less than the product  
24 of 1.75 times the Foundation Level, the general State aid per  
25 pupil shall be a decimal proportion of the Foundation Level  
26 derived using a linear algorithm. Under this linear  
27 algorithm, the calculated general State aid per pupil shall  
28 decline in direct linear fashion from 0.07 times the  
29 Foundation Level for a school district with Available Local  
30 Resources equal to the product of 0.93 times the Foundation  
31 Level, to 0.05 times the Foundation Level for a school  
32 district with Available Local Resources equal to the product  
33 of 1.75 times the Foundation Level. The allocation of  
34 general State aid for school districts subject to this

1 paragraph 3 shall be the calculated general State aid per  
2 pupil figure multiplied by the Average Daily Attendance of  
3 the school district.

4 (4) For any school district for which Available Local  
5 Resources per pupil equals or exceeds the product of 1.75  
6 times the Foundation Level, the general State aid for the  
7 school district shall be calculated as the product of \$218  
8 multiplied by the Average Daily Attendance of the school  
9 district.

10 (5) The amount of general State aid allocated to a  
11 school district for the 1999-2000 school year meeting the  
12 requirements set forth in paragraph (4) of subsection (G)  
13 shall be increased by an amount equal to the general State  
14 aid that would have been received by the district for the  
15 1998-1999 school year by utilizing the Extension Limitation  
16 Equalized Assessed Valuation as calculated in paragraph (4)  
17 of subsection (G) less the general State aid allotted for the  
18 1998-1999 school year. This amount shall be deemed a one  
19 time increase, and shall not affect any future general State  
20 aid allocations.

21 (F) Compilation of Average Daily Attendance.

22 (1) Each school district shall, by July 1 of each year,  
23 submit to the State Board of Education, on forms prescribed  
24 by the State Board of Education, attendance figures for the  
25 school year that began in the preceding calendar year. The  
26 attendance information so transmitted shall identify the  
27 average daily attendance figures for each month of the school  
28 year, except that any days of attendance in August shall be  
29 added to the month of September and any days of attendance in  
30 June shall be added to the month of May.

31 Except as otherwise provided in this Section, days of  
32 attendance by pupils shall be counted only for sessions of  
33 not less than 5 clock hours of school work per day under  
34 direct supervision of: (i) teachers, or (ii) non-teaching

1 personnel or volunteer personnel when engaging in  
2 non-teaching duties and supervising in those instances  
3 specified in subsection (a) of Section 10-22.34 and paragraph  
4 10 of Section 34-18, with pupils of legal school age and in  
5 kindergarten and grades 1 through 12.

6 Days of attendance by tuition pupils shall be accredited  
7 only to the districts that pay the tuition to a recognized  
8 school.

9 (2) Days of attendance by pupils of less than 5 clock  
10 hours of school shall be subject to the following provisions  
11 in the compilation of Average Daily Attendance.

12 (a) Pupils regularly enrolled in a public school  
13 for only a part of the school day may be counted on the  
14 basis of 1/6 day for every class hour of instruction of  
15 40 minutes or more attended pursuant to such enrollment.

16 (b) Days of attendance may be less than 5 clock  
17 hours on the opening and closing of the school term, and  
18 upon the first day of pupil attendance, if preceded by a  
19 day or days utilized as an institute or teachers'  
20 workshop.

21 (c) A session of 4 or more clock hours may be  
22 counted as a day of attendance upon certification by the  
23 regional superintendent, and approved by the State  
24 Superintendent of Education to the extent that the  
25 district has been forced to use daily multiple sessions.

26 (d) A session of 3 or more clock hours may be  
27 counted as a day of attendance (1) when the remainder of  
28 the school day or at least 2 hours in the evening of that  
29 day is utilized for an in-service training program for  
30 teachers, up to a maximum of 5 days per school year of  
31 which a maximum of 4 days of such 5 days may be used for  
32 parent-teacher conferences, provided a district conducts  
33 an in-service training program for teachers which has  
34 been approved by the State Superintendent of Education;

1 or, in lieu of 4 such days, 2 full days may be used, in  
2 which event each such day may be counted as a day of  
3 attendance; and (2) when days in addition to those  
4 provided in item (1) are scheduled by a school pursuant  
5 to its school improvement plan adopted under Article 34  
6 or its revised or amended school improvement plan adopted  
7 under Article 2, provided that (i) such sessions of 3 or  
8 more clock hours are scheduled to occur at regular  
9 intervals, (ii) the remainder of the school days in which  
10 such sessions occur are utilized for in-service training  
11 programs or other staff development activities for  
12 teachers, and (iii) a sufficient number of minutes of  
13 school work under the direct supervision of teachers are  
14 added to the school days between such regularly scheduled  
15 sessions to accumulate not less than the number of  
16 minutes by which such sessions of 3 or more clock hours  
17 fall short of 5 clock hours. Any full days used for the  
18 purposes of this paragraph shall not be considered for  
19 computing average daily attendance. Days scheduled for  
20 in-service training programs, staff development  
21 activities, or parent-teacher conferences may be  
22 scheduled separately for different grade levels and  
23 different attendance centers of the district.

24 (e) A session of not less than one clock hour of  
25 teaching hospitalized or homebound pupils on-site or by  
26 telephone to the classroom may be counted as 1/2 day of  
27 attendance, however these pupils must receive 4 or more  
28 clock hours of instruction to be counted for a full day  
29 of attendance.

30 (f) A session of at least 4 clock hours may be  
31 counted as a day of attendance for first grade pupils,  
32 and pupils in full day kindergartens, and a session of 2  
33 or more hours may be counted as 1/2 day of attendance by  
34 pupils in kindergartens which provide only 1/2 day of



1 attendance.

2 (g) For children with disabilities who are below  
3 the age of 6 years and who cannot attend 2 or more clock  
4 hours because of their disability or immaturity, a  
5 session of not less than one clock hour may be counted as  
6 1/2 day of attendance; however for such children whose  
7 educational needs so require a session of 4 or more clock  
8 hours may be counted as a full day of attendance.

9 (h) A recognized kindergarten which provides for  
10 only 1/2 day of attendance by each pupil shall not have  
11 more than 1/2 day of attendance counted in any one day.  
12 However, kindergartens may count 2 1/2 days of attendance  
13 in any 5 consecutive school days. When a pupil attends  
14 such a kindergarten for 2 half days on any one school  
15 day, the pupil shall have the following day as a day  
16 absent from school, unless the school district obtains  
17 permission in writing from the State Superintendent of  
18 Education. Attendance at kindergartens which provide for  
19 a full day of attendance by each pupil shall be counted  
20 the same as attendance by first grade pupils. Only the  
21 first year of attendance in one kindergarten shall be  
22 counted, except in case of children who entered the  
23 kindergarten in their fifth year whose educational  
24 development requires a second year of kindergarten as  
25 determined under the rules and regulations of the State  
26 Board of Education.

27 (G) Equalized Assessed Valuation Data.

28 (1) For purposes of the calculation of Available Local  
29 Resources required pursuant to subsection (D), the State  
30 Board of Education shall secure from the Department of  
31 Revenue the value as equalized or assessed by the Department  
32 of Revenue of all taxable property of every school district,  
33 together with (i) the applicable tax rate used in extending  
34 taxes for the funds of the district as of September 30 of the

1 previous year and (ii) the limiting rate for all school  
2 districts subject to property tax extension limitations as  
3 imposed under the Property Tax Extension Limitation Law.

4 This equalized assessed valuation, as adjusted further by  
5 the requirements of this subsection, shall be utilized in the  
6 calculation of Available Local Resources.

7 (2) The equalized assessed valuation in paragraph (1)  
8 shall be adjusted, as applicable, in the following manner:

9 (a) For the purposes of calculating State aid under  
10 this Section, with respect to any part of a school  
11 district within a redevelopment project area in respect  
12 to which a municipality has adopted tax increment  
13 allocation financing pursuant to the Tax Increment  
14 Allocation Redevelopment Act, Sections 11-74.4-1 through  
15 11-74.4-11 of the Illinois Municipal Code or the  
16 Industrial Jobs Recovery Law, Sections 11-74.6-1 through  
17 11-74.6-50 of the Illinois Municipal Code, no part of the  
18 current equalized assessed valuation of real property  
19 located in any such project area which is attributable to  
20 an increase above the total initial equalized assessed  
21 valuation of such property shall be used as part of the  
22 equalized assessed valuation of the district, until such  
23 time as all redevelopment project costs have been paid,  
24 as provided in Section 11-74.4-8 of the Tax Increment  
25 Allocation Redevelopment Act or in Section 11-74.6-35 of  
26 the Industrial Jobs Recovery Law. For the purpose of the  
27 equalized assessed valuation of the district, the total  
28 initial equalized assessed valuation or the current  
29 equalized assessed valuation, whichever is lower, shall  
30 be used until such time as all redevelopment project  
31 costs have been paid.

32 (b) The real property equalized assessed valuation  
33 for a school district shall be adjusted by subtracting  
34 from the real property value as equalized or assessed by

1 the Department of Revenue for the district an amount  
2 computed by dividing the amount of any abatement of taxes  
3 under Section 18-170 of the Property Tax Code by 3.00%  
4 for a district maintaining grades kindergarten through  
5 12, by 2.30% for a district maintaining grades  
6 kindergarten through 8, or by 1.05% for a district  
7 maintaining grades 9 through 12 and adjusted by an amount  
8 computed by dividing the amount of any abatement of taxes  
9 under subsection (a) of Section 18-165 of the Property  
10 Tax Code by the same percentage rates for district type  
11 as specified in this subparagraph (b).

12 (c) The Department of Revenue shall add to the  
13 equalized assessed value of all taxable property of each  
14 school district situated entirely or partially within a  
15 county with 3,000,000 or more inhabitants an amount equal  
16 to the total amount by which the homestead exemptions  
17 allowed under Sections 15-170 and 15-175 of the Property  
18 Tax Code for real property situated in that school  
19 district exceeds the total amount that would have been  
20 allowed in that school district as homestead exemptions  
21 under those Sections if the maximum reduction under  
22 Section 15-170 of the Property Tax Code was \$2,500 and  
23 the maximum reduction under Section 15-175 of the  
24 Property Tax Code was \$4,500. The county clerk of any  
25 county with 3,000,000 or more inhabitants shall annually  
26 calculate and certify to the Department for each school  
27 district all homestead exemption amounts required by  
28 Public Act 87-894. In a new district which has not had  
29 any tax rates yet determined for extension of taxes, a  
30 leveled uniform rate shall be computed from the latest  
31 amount of the fund taxes extended on the several areas  
32 within the new district.

33 (3) For the 1999-2000 school year and each school year  
34 thereafter, if a school district meets all of the criteria of

1 this subsection (G)(3), the school district's Available Local  
2 Resources shall be calculated under subsection (D) using the  
3 district's Extension Limitation Equalized Assessed Valuation  
4 as calculated under this subsection (G)(3).

5 For purposes of this subsection (G)(3) the following  
6 terms shall have the following meanings:

7 "Budget Year": The school year for which general  
8 State aid is calculated and awarded under subsection (E).

9 "Base Tax Year": The property tax levy year used to  
10 calculate the Budget Year allocation of general State  
11 aid.

12 "Preceding Tax Year": The property tax levy year  
13 immediately preceding the Base Tax Year.

14 "Base Tax Year's Tax Extension": The product of the  
15 equalized assessed valuation utilized by the County Clerk  
16 in the Base Tax Year multiplied by the limiting rate as  
17 calculated by the County Clerk and defined in the  
18 Property Tax Extension Limitation Law.

19 "Preceding Tax Year's Tax Extension": The product of  
20 the equalized assessed valuation utilized by the County  
21 Clerk in the Preceding Tax Year multiplied by the  
22 Operating Tax Rate as defined in subsection (A).

23 "Extension Limitation Ratio": A numerical ratio,  
24 certified by the County Clerk, in which the numerator is  
25 the Base Tax Year's Tax Extension and the denominator is  
26 the Preceding Tax Year's Tax Extension.

27 "Operating Tax Rate": The operating tax rate as  
28 defined in subsection (A).

29 If a school district is subject to property tax extension  
30 limitations as imposed under the Property Tax Extension  
31 Limitation Law, and if the Available Local Resources of that  
32 school district as calculated pursuant to subsection (D)  
33 using the Base Tax Year are less than the product of 1.75  
34 times the Foundation Level for the Budget Year, the State

1 Board of Education shall calculate the Extension Limitation  
2 Equalized Assessed Valuation of that district. For the  
3 1999-2000 school year, the Extension Limitation Equalized  
4 Assessed Valuation of a school district as calculated by the  
5 State Board of Education shall be equal to the product of the  
6 district's 1996 Equalized Assessed Valuation and the  
7 district's Extension Limitation Ratio. For the 2000-2001  
8 school year and each school year thereafter, the Extension  
9 Limitation Equalized Assessed Valuation of a school district  
10 as calculated by the State Board of Education shall be equal  
11 to the product of the last calculated Extension Limitation  
12 Equalized Assessed Valuation and the district's Extension  
13 Limitation Ratio. If the Extension Limitation Equalized  
14 Assessed Valuation of a school district as calculated under  
15 this subsection (G)(3) is less than the district's equalized  
16 assessed valuation as calculated pursuant to subsections  
17 (G)(1) and (G)(2), then for purposes of calculating the  
18 district's general State aid for the Budget Year pursuant to  
19 subsection (E), that Extension Limitation Equalized Assessed  
20 Valuation shall be utilized to calculate the district's  
21 Available Local Resources under subsection (D).

22 (4) For the purposes of calculating general State aid  
23 for the 1999-2000 school year only, if a school district  
24 experienced a triennial reassessment on the equalized  
25 assessed valuation used in calculating its general State  
26 financial aid apportionment for the 1998-1999 school year,  
27 the State Board of Education shall calculate the Extension  
28 Limitation Equalized Assessed Valuation that would have been  
29 used to calculate the district's 1998-1999 general State aid.  
30 This amount shall equal the product of the equalized assessed  
31 valuation used to calculate general State aid for the  
32 1997-1998 school year and the district's Extension Limitation  
33 Ratio. If the Extension Limitation Equalized Assessed  
34 Valuation of the school district as calculated under this

1 paragraph (4) is less than the district's equalized assessed  
2 valuation utilized in calculating the district's 1998-1999  
3 general State aid allocation, then for purposes of  
4 calculating the district's general State aid pursuant to  
5 paragraph (5) of subsection (E), that Extension Limitation  
6 Equalized Assessed Valuation shall be utilized to calculate  
7 the district's Available Local Resources.

8 (5) For school districts having a majority of their  
9 equalized assessed valuation in any county except Cook,  
10 DuPage, Kane, Lake, McHenry, or Will, if the amount of  
11 general State aid allocated to the school district for the  
12 1999-2000 school year under the provisions of subsection (E),  
13 (H), and (J) of this Section is less than the amount of  
14 general State aid allocated to the district for the 1998-1999  
15 school year under these subsections, then the general State  
16 aid of the district for the 1999-2000 school year only shall  
17 be increased by the difference between these amounts. The  
18 total payments made under this paragraph (5) shall not exceed  
19 \$14,000,000. Claims shall be prorated if they exceed  
20 \$14,000,000.

21 (H) Supplemental General State Aid.

22 (1) In addition to the general State aid a school  
23 district is allotted pursuant to subsection (E), qualifying  
24 school districts shall receive a grant, paid in conjunction  
25 with a district's payments of general State aid, for  
26 supplemental general State aid based upon the concentration  
27 level of children from low-income households within the  
28 school district. Supplemental State aid grants provided for  
29 school districts under this subsection shall be appropriated  
30 for distribution to school districts as part of the same line  
31 item in which the general State financial aid of school  
32 districts is appropriated under this Section. For purposes of  
33 this subsection, the term "Low-Income Concentration Level"  
34 shall be the low-income eligible pupil count from the most

1 recently available federal census divided by the Average  
2 Daily Attendance of the school district. If, however, the  
3 percentage decrease from the 2 most recent federal censuses  
4 in the low-income eligible pupil count of a high school  
5 district with fewer than 400 students exceeds by 75% or more  
6 the percentage change in the total low-income eligible pupil  
7 count of contiguous elementary school districts, whose  
8 boundaries are coterminous with the high school district, the  
9 high school district's low-income eligible pupil count from  
10 the earlier federal census shall be the number used as the  
11 low-income eligible pupil count for the high school district,  
12 for purposes of this subsection (H).

13 (2) Supplemental general State aid pursuant to this  
14 subsection shall be provided as follows:

15 (a) For any school district with a Low Income  
16 Concentration Level of at least 20% and less than 35%,  
17 the grant for any school year shall be \$800 multiplied by  
18 the low income eligible pupil count.

19 (b) For any school district with a Low Income  
20 Concentration Level of at least 35% and less than 50%,  
21 the grant for the 1998-1999 school year shall be \$1,100  
22 multiplied by the low income eligible pupil count.

23 (c) For any school district with a Low Income  
24 Concentration Level of at least 50% and less than 60%,  
25 the grant for the 1998-99 school year shall be \$1,500  
26 multiplied by the low income eligible pupil count.

27 (d) For any school district with a Low Income  
28 Concentration Level of 60% or more, the grant for the  
29 1998-99 school year shall be \$1,900 multiplied by the low  
30 income eligible pupil count.

31 (e) For the 1999-2000 school year, the per pupil  
32 amount specified in subparagraphs (b), (c), and (d)  
33 immediately above shall be increased to \$1,243, \$1,600,  
34 and \$2,000, respectively.

1           (f) For the 2000-2001 school year, the per pupil  
2 amounts specified in subparagraphs (b), (c), and (d)  
3 immediately above shall be \$1,273, \$1,640, and \$2,050,  
4 respectively.

5           (g) For each school year after the 2000-2001 school  
6 year, the per pupil amounts specified in subparagraph (e)  
7 immediately above shall be increased by the same  
8 percentage as the percentage increase, if any, in the  
9 Foundation Level as provided under subsection (B).

10          (3) School districts with an Average Daily Attendance of  
11 more than 1,000 and less than 50,000 that qualify for  
12 supplemental general State aid pursuant to this subsection  
13 shall submit a plan to the State Board of Education prior to  
14 October 30 of each year for the use of the funds resulting  
15 from this grant of supplemental general State aid for the  
16 improvement of instruction in which priority is given to  
17 meeting the education needs of disadvantaged children. Such  
18 plan shall be submitted in accordance with rules and  
19 regulations promulgated by the State Board of Education.

20          (4) School districts with an Average Daily Attendance of  
21 50,000 or more that qualify for supplemental general State  
22 aid pursuant to this subsection shall be required to  
23 distribute from funds available pursuant to this Section, no  
24 less than \$261,000,000 in accordance with the following  
25 requirements:

26           (a) The required amounts shall be distributed to  
27 the attendance centers within the district in proportion  
28 to the number of pupils enrolled at each attendance  
29 center who are eligible to receive free or reduced-price  
30 lunches or breakfasts under the federal Child Nutrition  
31 Act of 1966 and under the National School Lunch Act  
32 during the immediately preceding school year.

33           (b) The distribution of these portions of  
34 supplemental and general State aid among attendance



1 centers according to these requirements shall not be  
2 compensated for or contravened by adjustments of the  
3 total of other funds appropriated to any attendance  
4 centers, and the Board of Education shall utilize funding  
5 from one or several sources in order to fully implement  
6 this provision annually prior to the opening of school.

7 (c) Each attendance center shall be provided by the  
8 school district a distribution of noncategorical funds  
9 and other categorical funds to which an attendance center  
10 is entitled under law in order that the general State aid  
11 and supplemental general State aid provided by  
12 application of this subsection supplements rather than  
13 supplants the noncategorical funds and other categorical  
14 funds provided by the school district to the attendance  
15 centers.

16 (d) Any funds made available under this subsection  
17 that by reason of the provisions of this subsection are  
18 not required to be allocated and provided to attendance  
19 centers may be used and appropriated by the board of the  
20 district for any lawful school purpose.

21 (e) Funds received by an attendance center pursuant  
22 to this subsection shall be used by the attendance center  
23 at the discretion of the principal and local school  
24 council for programs to improve educational opportunities  
25 at qualifying schools through the following programs and  
26 services: early childhood education, reduced class size  
27 or improved adult to student classroom ratio, enrichment  
28 programs, remedial assistance, attendance improvement,  
29 and other educationally beneficial expenditures which  
30 supplement the regular and basic programs as determined  
31 by the State Board of Education. Funds provided shall  
32 not be expended for any political or lobbying purposes as  
33 defined by board rule.

34 (f) Each district subject to the provisions of this

1 subdivision (H)(4) shall submit an acceptable plan to  
2 meet the educational needs of disadvantaged children, in  
3 compliance with the requirements of this paragraph, to  
4 the State Board of Education prior to July 15 of each  
5 year. This plan shall be consistent with the decisions of  
6 local school councils concerning the school expenditure  
7 plans developed in accordance with part 4 of Section  
8 34-2.3. The State Board shall approve or reject the plan  
9 within 60 days after its submission. If the plan is  
10 rejected, the district shall give written notice of  
11 intent to modify the plan within 15 days of the  
12 notification of rejection and then submit a modified plan  
13 within 30 days after the date of the written notice of  
14 intent to modify. Districts may amend approved plans  
15 pursuant to rules promulgated by the State Board of  
16 Education.

17 Upon notification by the State Board of Education  
18 that the district has not submitted a plan prior to July  
19 15 or a modified plan within the time period specified  
20 herein, the State aid funds affected by that plan or  
21 modified plan shall be withheld by the State Board of  
22 Education until a plan or modified plan is submitted.

23 If the district fails to distribute State aid to  
24 attendance centers in accordance with an approved plan,  
25 the plan for the following year shall allocate funds, in  
26 addition to the funds otherwise required by this  
27 subsection, to those attendance centers which were  
28 underfunded during the previous year in amounts equal to  
29 such underfunding.

30 For purposes of determining compliance with this  
31 subsection in relation to the requirements of attendance  
32 center funding, each district subject to the provisions  
33 of this subsection shall submit as a separate document by  
34 December 1 of each year a report of expenditure data for

1 the prior year in addition to any modification of its  
2 current plan. If it is determined that there has been a  
3 failure to comply with the expenditure provisions of this  
4 subsection regarding contravention or supplanting, the  
5 State Superintendent of Education shall, within 60 days  
6 of receipt of the report, notify the district and any  
7 affected local school council. The district shall within  
8 45 days of receipt of that notification inform the State  
9 Superintendent of Education of the remedial or corrective  
10 action to be taken, whether by amendment of the current  
11 plan, if feasible, or by adjustment in the plan for the  
12 following year. Failure to provide the expenditure  
13 report or the notification of remedial or corrective  
14 action in a timely manner shall result in a withholding  
15 of the affected funds.

16 The State Board of Education shall promulgate rules  
17 and regulations to implement the provisions of this  
18 subsection. No funds shall be released under this  
19 subdivision (H)(4) to any district that has not submitted  
20 a plan that has been approved by the State Board of  
21 Education.

22 (I) General State Aid for Newly Configured School Districts.

23 (1) For a new school district formed by combining  
24 property included totally within 2 or more previously  
25 existing school districts, for its first year of existence  
26 the general State aid and supplemental general State aid  
27 calculated under this Section shall be computed for the new  
28 district and for the previously existing districts for which  
29 property is totally included within the new district. If the  
30 computation on the basis of the previously existing districts  
31 is greater, a supplementary payment equal to the difference  
32 shall be made for the first 4 years of existence of the new  
33 district.

34 (2) For a school district which annexes all of the

1 territory of one or more entire other school districts, for  
2 the first year during which the change of boundaries  
3 attributable to such annexation becomes effective for all  
4 purposes as determined under Section 7-9 or 7A-8, the general  
5 State aid and supplemental general State aid calculated under  
6 this Section shall be computed for the annexing district as  
7 constituted after the annexation and for the annexing and  
8 each annexed district as constituted prior to the annexation;  
9 and if the computation on the basis of the annexing and  
10 annexed districts as constituted prior to the annexation is  
11 greater, a supplementary payment equal to the difference  
12 shall be made for the first 4 years of existence of the  
13 annexing school district as constituted upon such annexation.

14 (3) For 2 or more school districts which annex all of  
15 the territory of one or more entire other school districts,  
16 and for 2 or more community unit districts which result upon  
17 the division (pursuant to petition under Section 11A-2) of  
18 one or more other unit school districts into 2 or more parts  
19 and which together include all of the parts into which such  
20 other unit school district or districts are so divided, for  
21 the first year during which the change of boundaries  
22 attributable to such annexation or division becomes effective  
23 for all purposes as determined under Section 7-9 or 11A-10,  
24 as the case may be, the general State aid and supplemental  
25 general State aid calculated under this Section shall be  
26 computed for each annexing or resulting district as  
27 constituted after the annexation or division and for each  
28 annexing and annexed district, or for each resulting and  
29 divided district, as constituted prior to the annexation or  
30 division; and if the aggregate of the general State aid and  
31 supplemental general State aid as so computed for the  
32 annexing or resulting districts as constituted after the  
33 annexation or division is less than the aggregate of the  
34 general State aid and supplemental general State aid as so

1 computed for the annexing and annexed districts, or for the  
2 resulting and divided districts, as constituted prior to the  
3 annexation or division, then a supplementary payment equal to  
4 the difference shall be made and allocated between or among  
5 the annexing or resulting districts, as constituted upon such  
6 annexation or division, for the first 4 years of their  
7 existence. The total difference payment shall be allocated  
8 between or among the annexing or resulting districts in the  
9 same ratio as the pupil enrollment from that portion of the  
10 annexed or divided district or districts which is annexed to  
11 or included in each such annexing or resulting district bears  
12 to the total pupil enrollment from the entire annexed or  
13 divided district or districts, as such pupil enrollment is  
14 determined for the school year last ending prior to the date  
15 when the change of boundaries attributable to the annexation  
16 or division becomes effective for all purposes. The amount  
17 of the total difference payment and the amount thereof to be  
18 allocated to the annexing or resulting districts shall be  
19 computed by the State Board of Education on the basis of  
20 pupil enrollment and other data which shall be certified to  
21 the State Board of Education, on forms which it shall provide  
22 for that purpose, by the regional superintendent of schools  
23 for each educational service region in which the annexing and  
24 annexed districts, or resulting and divided districts are  
25 located.

26 (3.5) Claims for financial assistance under this  
27 subsection (I) shall not be recomputed except as expressly  
28 provided under this Section.

29 (4) Any supplementary payment made under this subsection  
30 (I) shall be treated as separate from all other payments made  
31 pursuant to this Section.

32 (J) Supplementary Grants in Aid.

33 (1) Notwithstanding any other provisions of this  
34 Section, the amount of the aggregate general State aid in

1 combination with supplemental general State aid under this  
2 Section for which each school district is eligible shall be  
3 no less than the amount of the aggregate general State aid  
4 entitlement that was received by the district under Section  
5 18-8 (exclusive of amounts received under subsections 5(p)  
6 and 5(p-5) of that Section) for the 1997-98 school year,  
7 pursuant to the provisions of that Section as it was then in  
8 effect. If a school district qualifies to receive a  
9 supplementary payment made under this subsection (J), the  
10 amount of the aggregate general State aid in combination with  
11 supplemental general State aid under this Section which that  
12 district is eligible to receive for each school year shall be  
13 no less than the amount of the aggregate general State aid  
14 entitlement that was received by the district under Section  
15 18-8 (exclusive of amounts received under subsections 5(p)  
16 and 5(p-5) of that Section) for the 1997-1998 school year,  
17 pursuant to the provisions of that Section as it was then in  
18 effect.

19 (2) If, as provided in paragraph (1) of this subsection  
20 (J), a school district is to receive aggregate general State  
21 aid in combination with supplemental general State aid under  
22 this Section for the 1998-99 school year and any subsequent  
23 school year that in any such school year is less than the  
24 amount of the aggregate general State aid entitlement that  
25 the district received for the 1997-98 school year, the school  
26 district shall also receive, from a separate appropriation  
27 made for purposes of this subsection (J), a supplementary  
28 payment that is equal to the amount of the difference in the  
29 aggregate State aid figures as described in paragraph (1).

30 (3) (Blank).

31 (K) Grants to Laboratory and Alternative Schools.

32 In calculating the amount to be paid to the governing  
33 board of a public university that operates a laboratory  
34 school under this Section or to any alternative school that

1 is operated by a regional superintendent of schools, the  
2 State Board of Education shall require by rule such reporting  
3 requirements as it deems necessary.

4 As used in this Section, "laboratory school" means a  
5 public school which is created and operated by a public  
6 university and approved by the State Board of Education. The  
7 governing board of a public university which receives funds  
8 from the State Board under this subsection (K) may not  
9 increase the number of students enrolled in its laboratory  
10 school from a single district, if that district is already  
11 sending 50 or more students, except under a mutual agreement  
12 between the school board of a student's district of residence  
13 and the university which operates the laboratory school. A  
14 laboratory school may not have more than 1,000 students,  
15 excluding students with disabilities in a special education  
16 program.

17 As used in this Section, "alternative school" means a  
18 public school which is created and operated by a Regional  
19 Superintendent of Schools and approved by the State Board of  
20 Education. Such alternative schools may offer courses of  
21 instruction for which credit is given in regular school  
22 programs, courses to prepare students for the high school  
23 equivalency testing program or vocational and occupational  
24 training. A regional superintendent of schools may contract  
25 with a school district or a public community college district  
26 to operate an alternative school. An alternative school  
27 serving more than one educational service region may be  
28 established by the regional superintendents of schools of the  
29 affected educational service regions. An alternative school  
30 serving more than one educational service region may be  
31 operated under such terms as the regional superintendents of  
32 schools of those educational service regions may agree.

33 Each laboratory and alternative school shall file, on  
34 forms provided by the State Superintendent of Education, an

1 annual State aid claim which states the Average Daily  
 2 Attendance of the school's students by month. The best 3  
 3 months' Average Daily Attendance shall be computed for each  
 4 school. The general State aid entitlement shall be computed  
 5 by multiplying the applicable Average Daily Attendance by the  
 6 Foundation Level as determined under this Section. The  
 7 Average Daily Attendance shall be computed and the Average  
 8 Daily Attendance for the school's most recent 3-year average  
 9 shall be compared to the most recent Average Daily  
 10 Attendance, and the greater of the 2 shall be used for the  
 11 calculation under this subsection (K).

12 (L) Payments, Additional Grants in Aid and Other  
 13 Requirements.

14 (1) For a school district operating under the financial  
 15 supervision of an Authority created under Article 34A, the  
 16 general State aid otherwise payable to that district under  
 17 this Section, but not the supplemental general State aid,  
 18 shall be reduced by an amount equal to the budget for the  
 19 operations of the Authority as certified by the Authority to  
 20 the State Board of Education, and an amount equal to such  
 21 reduction shall be paid to the Authority created for such  
 22 district for its operating expenses in the manner provided in  
 23 Section 18-11. The remainder of general State school aid for  
 24 any such district shall be paid in accordance with Article  
 25 34A when that Article provides for a disposition other than  
 26 that provided by this Article.

27 (2) (Blank).

28 (3) Summer school. Summer school payments shall be made  
 29 as provided in Section 18-4.3.

30 (M) Education Funding Advisory Board.

31 The Education Funding Advisory Board, hereinafter in this  
 32 subsection (M) referred to as the "Board", is hereby created.  
 33 The Board shall consist of 5 members who are appointed by the



1 Governor, by and with the advice and consent of the Senate.  
2 The members appointed shall include representatives of  
3 education, business, and the general public. One of the  
4 members so appointed shall be designated by the Governor at  
5 the time the appointment is made as the chairperson of the  
6 Board. The initial members of the Board may be appointed any  
7 time after the effective date of this amendatory Act of 1997.  
8 The regular term of each member of the Board shall be for 4  
9 years from the third Monday of January of the year in which  
10 the term of the member's appointment is to commence, except  
11 that of the 5 initial members appointed to serve on the  
12 Board, the member who is appointed as the chairperson shall  
13 serve for a term that commences on the date of his or her  
14 appointment and expires on the third Monday of January, 2002,  
15 and the remaining 4 members, by lots drawn at the first  
16 meeting of the Board that is held after all 5 members are  
17 appointed, shall determine 2 of their number to serve for  
18 terms that commence on the date of their respective  
19 appointments and expire on the third Monday of January, 2001,  
20 and 2 of their number to serve for terms that commence on the  
21 date of their respective appointments and expire on the third  
22 Monday of January, 2000. All members appointed to serve on  
23 the Board shall serve until their respective successors are  
24 appointed and confirmed. Vacancies shall be filled in the  
25 same manner as original appointments. If a vacancy in  
26 membership occurs at a time when the Senate is not in  
27 session, the Governor shall make a temporary appointment  
28 until the next meeting of the Senate, when he or she shall  
29 appoint, by and with the advice and consent of the Senate, a  
30 person to fill that membership for the unexpired term. If  
31 the Senate is not in session when the initial appointments  
32 are made, those appointments shall be made as in the case of  
33 vacancies.

34 The Education Funding Advisory Board shall be deemed

1 established, and the initial members appointed by the  
2 Governor to serve as members of the Board shall take office,  
3 on the date that the Governor makes his or her appointment of  
4 the fifth initial member of the Board, whether those initial  
5 members are then serving pursuant to appointment and  
6 confirmation or pursuant to temporary appointments that are  
7 made by the Governor as in the case of vacancies.

8 The State Board of Education shall provide such staff  
9 assistance to the Education Funding Advisory Board as is  
10 reasonably required for the proper performance by the Board  
11 of its responsibilities.

12 For school years after the 2000-2001 school year, the  
13 Education Funding Advisory Board, in consultation with the  
14 State Board of Education, shall make recommendations as  
15 provided in this subsection (M) to the General Assembly for  
16 the foundation level under subdivision (B)(3) of this Section  
17 and for the supplemental general State aid grant level under  
18 subsection (H) of this Section for districts with high  
19 concentrations of children from poverty. The recommended  
20 foundation level shall be determined based on a methodology  
21 which incorporates the basic education expenditures of  
22 low-spending schools exhibiting high academic performance.  
23 The Education Funding Advisory Board shall make such  
24 recommendations to the General Assembly on January 1 of odd  
25 numbered years, beginning January 1, 2001.

26 (N) (Blank).

27 (O) References.

28 (1) References in other laws to the various subdivisions  
29 of Section 18-8 as that Section existed before its repeal and  
30 replacement by this Section 18-8.05 shall be deemed to refer  
31 to the corresponding provisions of this Section 18-8.05, to  
32 the extent that those references remain applicable.

33 (2) References in other laws to State Chapter 1 funds

1 shall be deemed to refer to the supplemental general State  
2 aid provided under subsection (H) of this Section.

3 (Source: P.A. 90-548, eff. 7-1-98; incorporates 90-566;  
4 90-653, eff. 7-29-98; 90-654, eff. 7-29-98; 90-655, eff.  
5 7-30-98; 90-802, eff. 12-15-98; 90-815, eff. 2-11-99; 91-24,  
6 eff. 7-1-99; 91-93, eff. 7-9-99; 91-96, eff. 7-9-99; 91-111,  
7 eff. 7-14-99; 91-357, eff. 7-29-99; 91-533, eff. 8-13-99;  
8 revised 8-27-99.)

9 Section 98. Severability. If any provision of this  
10 amendatory Act of of the 92nd General Assembly or its  
11 application to any person or circumstances is held invalid,  
12 the invalidity of that provision or application does not  
13 affect other provisions or applications of this amendatory  
14 Act that can be given effect without the invalid provision or  
15 application.

16 Section 99. Effective date. This Act takes effect on  
17 July 1, 2001.