

1 AN ACT concerning revenue.

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

4 Article 1. Findings

5 Section 1-1. Legislative findings.

6 (1) The House of Representatives adopted House Resolution
7 110 on March 8, 2011, setting forth the estimates of general
8 funds the House expects to be available during State fiscal
9 year 2012.

10 (2) In determining the estimates of general funds expected
11 to be available during State fiscal year 2012, the House
12 Revenue & Finance Committee assumed that the State would not
13 collect approximately \$600,000,000 of income tax revenues due
14 to the allowance of special bonus depreciation rules approved
15 by the federal government.

16 (3) The House of Representatives adopted House Resolution
17 158 on March 30, 2011, which provides that if the actual amount
18 of funds from State sources that become available during State
19 fiscal year 2012 exceeds the House's estimates set forth in
20 House Resolution 110, then that excess shall first be used to
21 reduce the backlog of unpaid State obligations to the extent
22 authorized by law.

23 (4) These concepts are prudent and should be continued for

1 State fiscal year 2013 and beyond.

2 (5) As the House Revenue & Finance Committee develops the
3 estimates of general funds expected to be available during
4 State fiscal year 2013, an estimated \$250,000,000 of income tax
5 revenues in excess of the State fiscal year 2012 budgeted
6 amount will become available due to the phasing out of the
7 allowance of special bonus depreciation rules approved by the
8 federal government.

9 (6) Therefore, the General Assembly finds that a tax
10 incentive package that does not exceed \$250,000,000 in State
11 fiscal year 2013 can be approved without any negative impact to
12 the State budget in State fiscal years 2012 and 2013 while
13 providing tax relief to a large number of Illinois individual
14 and business taxpayers.

15 Article 5. Illinois Independent Tax Tribunal Act

16 Section 5-1. Short title. This Article may be cited as the
17 Illinois Independent Tax Tribunal Act.

18 Section 5-5. Independent Tax Tribunal Board; Department of
19 Revenue.

20 (a) On and after July 1, 2013, the Department of Revenue,
21 or any successor agency, shall no longer hear and act upon any
22 protests of notices of tax liability or deficiencies for all
23 taxes administered by the Department of Revenue.

1 (b) Beginning July 1, 2013, an Independent Tax Tribunal
2 Board shall assume, exercise, and administer all rights,
3 powers, duties, and responsibilities pertaining to any
4 protests of notices of tax liability or deficiencies for all
5 taxes administered by the Department of Revenue. The
6 Independent Tax Tribunal Board shall be created by law and no
7 State agency shall assume the functions of the Board.

8 Article 10. Live Theater Production Tax Credit Act

9 Section 10-1. Short title. This Article may be cited as the
10 Live Theater Production Tax Credit Act. References in this
11 Article to "this Act" mean this Article.

12 Section 10-5. Purpose. The Illinois economy depends
13 heavily on the commercial for-profit live theater industry and
14 the pre-Broadway and long-run shows that are presented in
15 Illinois. As a result of intense competition from other
16 prominent theater cities in the United States and abroad in
17 attracting pre-Broadway and long-run shows, Illinois must move
18 aggressively with new business development investment tools so
19 that Illinois is more competitive in site location decision
20 making for show producers. In an increasingly global economy,
21 Illinois' long-term development will benefit from the
22 rational, strategic use of State resources in support of
23 pre-Broadway live theater and long-run show development and

1 growth. It is the purpose of this Act to preserve and expand
2 the existing work force used in live theater and enhance the
3 marketing of the presentation of live theater in Illinois. It
4 shall be the policy of this State to promote and encourage the
5 training and hiring of Illinois residents who represent the
6 diversity of the Illinois population through the creation and
7 implementation of training, education, and recruitment
8 programs organized in cooperation with Illinois colleges and
9 universities, labor organizations, and the commercial
10 for-profit live theater industry.

11 Section 10-10. Definitions. As used in this Act:

12 "Accredited theater production" means a for-profit live
13 stage presentation in a qualified production facility, as
14 defined in this Section, that is either (i) a pre-Broadway
15 production or (ii) a long-run production for which the
16 aggregate Illinois labor and marketing expenditures exceed
17 \$100,000.

18 "Pre-Broadway production" means a live stage production
19 that, in its original or adaptive version, is performed in a
20 qualified production facility having a presentation scheduled
21 for Broadway's Theater District in New York City within 12
22 months after its Illinois presentation.

23 "Long-run production" means a live stage production that is
24 performed in a qualified production facility for longer than 8
25 weeks, with at least 6 performances per week, and includes a

1 production that spans the end of one tax year and the
2 commencement of a new tax year that, in combination, meets the
3 criteria set forth in this definition making it a long-run
4 production eligible for a theater tax credit award in each tax
5 year or portion thereof.

6 "Accredited theater production certificate" means a
7 certificate issued by the Department certifying that the
8 production is an accredited theater production that meets the
9 guidelines of this Act.

10 "Applicant" means a taxpayer that is a theater producer,
11 owner, licensee, operator, or presenter that is presenting or
12 has presented a live stage presentation located within the
13 State of Illinois who:

14 (1) owns or licenses the theatrical rights of the stage
15 presentation for the Illinois production period; or

16 (2) has contracted or will contract directly with the
17 owner or licensee of the theatrical rights or a person
18 acting on behalf of the owner or licensee to provide live
19 performances of the production.

20 An applicant that directly or indirectly owns, controls, or
21 operates multiple qualified production facilities shall be
22 presumed to be and considered for the purposes of this Act to
23 be a single applicant; provided, however, that as to each of
24 the applicant's qualified production facilities, the applicant
25 shall be eligible to separately and contemporaneously (i) apply
26 for and obtain accredited theater production certificates,

1 (ii) stage accredited theater productions, and (iii) apply for
2 and receive a tax credit award certificate for each of the
3 applicant's accredited theater productions performed at each
4 of the applicant's qualified production facilities.

5 "Department" means the Department of Commerce and Economic
6 Opportunity.

7 "Director" means the Director of the Department.

8 "Illinois labor expenditure" means gross salary or wages
9 including, but not limited to, taxes, benefits, and any other
10 consideration incurred or paid to non-talent employees of the
11 applicant for services rendered to and on behalf of the
12 accredited theater production. To qualify as an Illinois labor
13 expenditure, the expenditure must be:

14 (1) incurred or paid by the applicant on or after the
15 effective date of the Act for services related to any
16 portion of an accredited theater production from its
17 pre-production stages, including, but not limited to, the
18 writing of the script, casting, hiring of service
19 providers, purchases from vendors, marketing, advertising,
20 public relations, load in, rehearsals, performances, other
21 accredited theater production related activities, and load
22 out;

23 (2) directly attributable to the accredited theater
24 production;

25 (3) limited to the first \$100,000 of wages incurred or
26 paid to each employee of an accredited theater production

1 in each tax year;

2 (4) included in the federal income tax basis of the
3 property;

4 (5) paid in the tax year for which the applicant is
5 claiming the tax credit award, or no later than 60 days
6 after the end of the tax year;

7 (6) paid to persons residing in Illinois at the time
8 payments were made; and

9 (7) reasonable in the circumstances.

10 "Illinois production spending" means any and all expenses
11 directly or indirectly incurred relating to an accredited
12 theater production presented in any qualified production
13 facility of the applicant, including, but not limited to,
14 expenditures for:

15 (1) national marketing, public relations, and the
16 creation and placement of print, electronic, television,
17 billboard, and other forms of advertising; and

18 (2) the construction and fabrication of scenic
19 materials and elements; provided, however, that the
20 maximum amount of expenditures attributable to the
21 construction and fabrication of scenic materials and
22 elements eligible for a tax credit award shall not exceed
23 \$500,000 per applicant per production in any single tax
24 year.

25 "Qualified production facility" means a facility located
26 in the State in which live theatrical productions are, or are

1 intended to be, exclusively presented that contains at least
2 one stage, a seating capacity of 1,200 or more seats, and
3 dressing rooms, storage areas, and other ancillary amenities
4 necessary for the accredited theater production.

5 "Tax credit award" means the issuance to a taxpayer by the
6 Department of a tax credit award in conformance with Sections
7 10-40 and 10-45 of this Act.

8 "Tax year" means a calendar year for the period January 1
9 to and including December 31.

10 Section 10-15. Powers of the Department. The Department, in
11 addition to those powers granted under the Civil Administrative
12 Code of Illinois, is granted and has all the powers necessary
13 or convenient to carry out and effectuate the purposes and
14 provisions of this Act, including, but not limited to, the
15 power and authority to:

16 (1) adopt rules deemed necessary and appropriate for
17 the administration of the Tax Credit Award program;
18 establish forms for applications, notifications,
19 contracts, or any other agreements; and accept
20 applications at any time during the year;

21 (2) assist applicants pursuant to the provisions of
22 this Act to promote, foster, and support live theater
23 development and production and its related job creation or
24 retention within the State;

25 (3) gather information and conduct inquiries, in the

1 manner and by the methods set forth in this Act, required
2 for the Department to comply with Section 10-40 and,
3 without limitation, obtain information with respect to
4 applicants for the purpose of making any designations or
5 certifications necessary or desirable to assist the
6 Department with any recommendation or guidance in the
7 furtherance of the purposes of this Act and relating to
8 applicants' participation in training, education, and
9 recruitment programs that are organized in cooperation
10 with Illinois colleges and universities or labor
11 organizations designed to promote and encourage the
12 training and hiring of Illinois residents who represent the
13 diversity of the Illinois population;

14 (4) provide for sufficient personnel to permit
15 administrative, staffing, operating, and related support
16 required to adequately discharge its duties and
17 responsibilities described in this Act from funds as may be
18 appropriated by the General Assembly for the
19 administration of this Act; and

20 (5) require that the applicant at all times keep proper
21 books and records of accounts relating to the tax credit
22 award, in accordance with generally accepted accounting
23 principles consistently applied, and make, upon reasonable
24 written request by the Department, those books and records
25 available for reasonable Department inspection and audit
26 during the applicant's normal business hours. Any

1 documents or data made available to or received from the
2 applicant by any agent, employee, officer, or service
3 provider to the Department shall be deemed confidential and
4 shall not constitute public records to the extent that the
5 documents or data consist of commercial or financial
6 information regarding the operation by the applicant of any
7 theater or any accredited theater production, or any
8 recipient of any tax credit award under this Act.

9 Section 10-20. Tax credit award. Subject to the conditions
10 set forth in this Act, an applicant is entitled to a tax credit
11 award as approved by the Department for qualifying Illinois
12 labor expenditures and Illinois production spending for each
13 tax year in which the applicant is awarded an accredited
14 theater production certificate issued by the Department. The
15 amount of tax credits awarded pursuant to this Act shall not
16 exceed \$2,000,000 in any fiscal year. Credits shall be awarded
17 on a first-come, first-served basis. Notwithstanding the
18 foregoing, if the amount of credits applied for in any fiscal
19 year exceeds the amount authorized to be awarded under this
20 Section, the excess credit amount shall be awarded in the next
21 fiscal year in which credits remain available for award and
22 shall be treated as having been applied for on the first day of
23 that fiscal year.

24 Section 10-25. Application for certification of accredited

1 theater production. Any applicant proposing an accredited
2 theater production located or planned to be located in Illinois
3 may request an accredited theater production certificate by
4 application to the Department.

5 Section 10-30. Review of application for accredited
6 theater production certificate.

7 (a) The Department shall issue an accredited theater
8 production certificate to an applicant if it finds that by a
9 preponderance the following conditions exist:

10 (1) the applicant intends to make the expenditure in
11 the State required for certification of the accredited
12 theater production;

13 (2) the applicant's accredited theater production is
14 economically sound and will benefit the people of the State
15 of Illinois by increasing opportunities for employment and
16 will strengthen the economy of Illinois;

17 (3) the following requirements related to the
18 implementation of a diversity plan have been met: (i) the
19 applicant has filed with the Department a diversity plan
20 outlining specific goals for hiring Illinois labor
21 expenditure eligible minority persons and females, as
22 defined in the Business Enterprise for Minorities,
23 Females, and Persons with Disabilities Act, and for using
24 vendors receiving certification under the Business
25 Enterprise for Minorities, Females, and Persons with

1 Disabilities Act; (ii) the Department has approved the plan
2 as meeting the requirements established by the Department
3 and verified that the applicant has met or made good faith
4 efforts in achieving those goals; and (iii) the Department
5 has adopted any rules that are necessary to ensure
6 compliance with the provisions set forth in this paragraph
7 and necessary to require that the applicant's plan reflects
8 the diversity of the population of this State;

9 (4) the applicant's accredited theater production
10 application indicates whether the applicant intends to
11 participate in training, education, and recruitment
12 programs that are organized in cooperation with Illinois
13 colleges and universities, labor organizations, and the
14 holders of accredited theater production certificates and
15 are designed to promote and encourage the training and
16 hiring of Illinois residents who represent the diversity of
17 Illinois;

18 (5) if not for the tax credit award, the applicant's
19 accredited theater production would not occur in Illinois,
20 which may be demonstrated by any means, including, but not
21 limited to, evidence that: (i) the applicant, presenter,
22 owner, or licensee of the production rights has other state
23 or international location options at which to present the
24 production and could reasonably and efficiently locate
25 outside of the State, (ii) at least one other state or
26 nation could be considered for the production, (iii) the

1 receipt of the tax award credit is a major factor in the
2 decision of the applicant, presenter, production owner or
3 licensee as to where the production will be presented and
4 that without the tax credit award the applicant likely
5 would not create or retain jobs in Illinois, or (iv)
6 receipt of the tax credit award is essential to the
7 applicant's decision to create or retain new jobs in the
8 State; and

9 (6) the tax credit award will result in an overall
10 positive impact to the State, as determined by the
11 Department using the best available data.

12 (b) If any of the provisions in this Section conflict with
13 any existing collective bargaining agreements, the terms and
14 conditions of those collective bargaining agreements shall
15 control.

16 (c) The Department shall act expeditiously regarding
17 approval of applications for accredited theater production
18 certificates so as to accommodate the pre-production work,
19 booking, commencement of ticket sales, determination of
20 performance dates, load in, and other matters relating to the
21 live theater productions for which approval is sought.

22 Section 10-35. Training programs for skills in critical
23 demand. To accomplish the purposes of this Act, the Department
24 may use the training programs provided under Section 605-800 of
25 the Department of Commerce and Economic Opportunity Law of the

1 Civil Administrative Code of Illinois.

2 Section 10-40. Issuance of Tax Credit Award Certificate.

3 (a) In order to qualify for a tax credit award under this
4 Act, an applicant must file an application for each accredited
5 theater production at each of the applicant's qualified
6 production facilities, on forms prescribed by the Department,
7 providing information necessary to calculate the tax credit
8 award and any additional information as reasonably required by
9 the Department.

10 (b) Upon satisfactory review of the application, the
11 Department shall issue a tax credit award certificate stating
12 the amount of the tax credit award to which the applicant is
13 entitled for that tax year and shall contemporaneously notify
14 the applicant and Illinois Department of Revenue in accordance
15 with Section 222 of the Illinois Income Tax Act.

16 Section 10-45. Amount and payment of the tax credit award.
17 The tax credit award shall be calculated each tax year based
18 upon the filing by the applicant on forms prescribed by the
19 Department containing information regarding qualifying and
20 quantified Illinois labor expenditures, as defined in Section
21 10-10, net of the limitation in that Section, and Illinois
22 production spending, as defined in Section 10-10, net of the
23 limitation in that Section. From the amount calculated, the
24 applicant shall be entitled to receive a tax credit award of up

1 to:

2 (1) 20% of the Illinois labor expenditures for each tax
3 year; plus

4 (2) 20% of the Illinois production spending for each
5 tax year; plus

6 (3) 15% of the Illinois labor expenditures generated by
7 the employment of Illinois residents in geographic areas of
8 high poverty or high unemployment in each tax year, as
9 determined by the Department.

10 Following the Department's determination of the tax credit
11 award, the Department shall issue the tax credit award to the
12 applicant.

13 Section 10-50. Live theater tax credit award program
14 evaluation and reports.

15 (a) The Department's live theater tax credit award
16 evaluation must include:

17 (i) an assessment of the effectiveness of the program
18 in creating and retaining new jobs in Illinois;

19 (ii) an assessment of the revenue impact of the
20 program;

21 (iii) in the discretion of the Department, a review of
22 the practices and experiences of other states or nations
23 with similar programs; and

24 (iv) an assessment of the overall success of the
25 program. The Department may make a recommendation to

1 extend, modify, or not extend the program based on the
2 evaluation.

3 (b) At the end of each fiscal quarter, the Department shall
4 submit to the General Assembly a report that includes, without
5 limitation:

6 (i) an assessment of the economic impact of the
7 program, including the number of jobs created and retained,
8 and whether the job positions are entry level, management,
9 vendor, or production related;

10 (ii) the amount of accredited theater production
11 spending brought to Illinois, including the amount of
12 spending and type of Illinois vendors hired in connection
13 with an accredited theater production; and

14 (iii) a determination of whether those receiving
15 qualifying Illinois labor expenditure salaries or wages
16 reflect the geographical, racial and ethnic, gender, and
17 income level diversity of the State of Illinois.

18 (c) At the end of each fiscal year, the Department shall
19 submit to the General Assembly a report that includes, without
20 limitation:

21 (i) the identification of each vendor that provided
22 goods or services that were included in an accredited
23 theater production's Illinois production spending;

24 (ii) a statement of the amount paid to each identified
25 vendor by the accredited theater production and whether the
26 vendor is a minority or female owned business as defined in

1 Section 2 of the Business Enterprise for Minorities,
2 Females, and Persons with Disabilities Act; and

3 (iii) a description of the steps taken by the
4 Department to encourage accredited theater productions to
5 use vendors who are minority or female owned businesses.

6 Section 10-55. Program terms and conditions. Any
7 documentary materials or data made available or received from
8 an applicant by any agent or employee of the Department are
9 confidential and are not public records to the extent that the
10 materials or data consist of commercial or financial
11 information regarding the operation of or the production of the
12 applicant or recipient of any tax credit award under this Act.

13 Section 10-80. The Illinois Income Tax Act is amended by
14 adding Section 222 as follows:

15 (35 ILCS 5/222 new)

16 Sec. 222. Live theater production credit.

17 (a) For tax years beginning on or after January 1, 2012, a
18 taxpayer who has received a tax credit award under the Live
19 Theater Production Tax Credit Act is entitled to a credit
20 against the taxes imposed under subsections (a) and (b) of
21 Section 201 of this Act in an amount determined under that Act
22 by the Department of Commerce and Economic Opportunity.

23 (b) If the taxpayer is a partnership, limited liability

1 partnership, limited liability company, or Subchapter S
2 corporation, the tax credit award is allowed to the partners,
3 unit holders, or shareholders in accordance with the
4 determination of income and distributive share of income under
5 Sections 702 and 704 and Subchapter S of the Internal Revenue
6 Code.

7 (c) A sale, assignment, or transfer of the tax credit award
8 may be made by the taxpayer earning the credit within one year
9 after the credit is awarded in accordance with rules adopted by
10 the Department of Commerce and Economic Opportunity.

11 (d) The Department of Revenue, in cooperation with the
12 Department of Commerce and Economic Opportunity, shall adopt
13 rules to enforce and administer the provisions of this Section.

14 (e) The tax credit award may not be carried back. If the
15 amount of the credit exceeds the tax liability for the year,
16 the excess may be carried forward and applied to the tax
17 liability of the 5 tax years following the excess credit year.
18 The tax credit award shall be applied to the earliest year for
19 which there is a tax liability. If there are credits from more
20 than one tax year that are available to offset liability, the
21 earlier credit shall be applied first. In no event may a credit
22 under this Section reduce the taxpayer's liability to less than
23 zero.

1 Section 15-5. The Economic Development Area Tax Increment
2 Allocation Act is amended by changing Sections 3, 4, 5, 8, 9,
3 and 11 and by adding Sections 4.5 and 4.7 as follows:

4 (20 ILCS 620/3) (from Ch. 67 1/2, par. 1003)

5 Sec. 3. Definitions. In this Act, words or terms shall have
6 the following meanings unless the context or usage clearly
7 indicates that another meaning is intended.

8 (a) "Department" means the Department of Commerce and
9 Economic Opportunity.

10 (b) "Economic development plan" means the written plan of a
11 municipality which sets forth an economic development program
12 for an economic development project area. Each economic
13 development plan shall include but not be limited to (1)
14 estimated economic development project costs, (2) the sources
15 of funds to pay such costs, (3) the nature and term of any
16 obligations to be issued by the municipality to pay such costs,
17 (4) the most recent equalized assessed valuation of the
18 economic development project area, (5) an estimate of the
19 equalized assessed valuation of the economic development
20 project area after completion of an economic development
21 project, (6) the estimated date of completion of any economic
22 development project proposed to be undertaken, (7) a general
23 description of any proposed developer, user, or tenant of any
24 property to be located or improved within the economic
25 development project area, (8) a description of the type,

1 structure and general character of the facilities to be
2 developed or improved in the economic development project area,
3 (9) a description of the general land uses to apply in the
4 economic development project area, (10) a description of the
5 type, class and number of employees to be employed in the
6 operation of the facilities to be developed or improved in the
7 economic development project area, and (11) a commitment by the
8 municipality to fair employment practices and an affirmative
9 action plan with respect to any economic development program to
10 be undertaken by the municipality.

11 (c) "Economic development project" means any development
12 project in furtherance of the objectives of this Act.

13 (d) "Economic development project area" means any improved
14 or vacant area which (1) is located within or partially within
15 or partially without the territorial limits of a municipality,
16 provided that no area without the territorial limits of a
17 municipality shall be included in an economic development
18 project area without the express consent of the Department,
19 acting as agent for the State, (2) is contiguous, (3) is not
20 less in the aggregate than three hundred twenty acres, (4) is
21 suitable for siting by any commercial, manufacturing,
22 industrial, research or transportation enterprise of
23 facilities to include but not be limited to commercial
24 businesses, offices, factories, mills, processing plants,
25 assembly plants, packing plants, fabricating plants,
26 industrial or commercial distribution centers, warehouses,

1 repair overhaul or service facilities, freight terminals,
2 research facilities, test facilities or transportation
3 facilities, whether or not such area has been used at any time
4 for such facilities and whether or not the area has been used
5 or is suitable for other uses, including commercial
6 agricultural purposes, and (5) which has been approved and
7 certified by the Department pursuant to this Act.

8 (e) "Economic development project costs" mean and include
9 the sum total of all reasonable or necessary costs incurred by
10 a municipality incidental to an economic development project,
11 including, without limitation, the following:

12 (1) Costs of studies, surveys, development of plans and
13 specifications, implementation and administration of an
14 economic development plan, personnel and professional service
15 costs for architectural, engineering, legal, marketing,
16 financial, planning, police, fire, public works or other
17 services, provided that no charges for professional services
18 may be based on a percentage of incremental tax revenues;

19 (2) Property assembly costs within an economic development
20 project area, including but not limited to acquisition of land
21 and other real or personal property or rights or interests
22 therein, and specifically including payments to developers or
23 other nongovernmental persons as reimbursement for property
24 assembly costs incurred by such developer or other
25 nongovernmental person;

26 (3) Site preparation costs, including but not limited to

1 clearance of any area within an economic development project
2 area by demolition or removal of any existing buildings,
3 structures, fixtures, utilities and improvements and clearing
4 and grading; and including installation, repair, construction,
5 reconstruction, or relocation of public streets, public
6 utilities, and other public site improvements within or without
7 an economic development project area which are essential to the
8 preparation of the economic development project area for use in
9 accordance with an economic development plan; and specifically
10 including payments to developers or other nongovernmental
11 persons as reimbursement for site preparation costs incurred by
12 such developer or nongovernmental person;

13 (4) Costs of renovation, rehabilitation, reconstruction,
14 relocation, repair or remodeling of any existing buildings,
15 improvements, and fixtures within an economic development
16 project area, and specifically including payments to
17 developers or other nongovernmental persons as reimbursement
18 for such costs incurred by such developer or nongovernmental
19 person;

20 (5) Costs of construction, acquisition, and operation
21 within an economic development project area of public
22 improvements, including but not limited to, publicly owned
23 buildings, structures, works, utilities or fixtures; provided
24 that no allocation made to the municipality pursuant to
25 subparagraph (A) of paragraph (2) of subsection (g) of Section
26 4 of this Act or subparagraph (A) of paragraph (4) of

1 subsection (g) of Section 4 of this Act shall be used to
2 operate a convention center or similar entertainment complex or
3 venue;

4 (6) Financing costs, including but not limited to all
5 necessary and incidental expenses related to the issuance of
6 obligations, payment of any interest on any obligations issued
7 hereunder which accrues during the estimated period of
8 construction of any economic development project for which such
9 obligations are issued and for not exceeding 36 months
10 thereafter, and any reasonable reserves related to the issuance
11 of such obligations;

12 (7) All or a portion of a taxing district's capital costs
13 resulting from an economic development project necessarily
14 incurred or estimated to be incurred by a taxing district in
15 the furtherance of the objectives of an economic development
16 project, to the extent that the municipality by written
17 agreement accepts and approves such costs;

18 (8) Relocation costs to the extent that a municipality
19 determines that relocation costs shall be paid or is required
20 to make payment of relocation costs by federal or State law;

21 (9) The estimated tax revenues from real property in an
22 economic development project area acquired by a municipality
23 which, according to the economic development plan, is to be
24 used for a private use and which any taxing district would have
25 received had the municipality not adopted tax increment
26 allocation financing for an economic development project area

1 and which would result from such taxing district's levies made
2 after the time of the adoption by the municipality of tax
3 increment allocation financing to the time the current
4 equalized assessed value of real property in the economic
5 development project area exceeds the total initial equalized
6 value of real property in said area;

7 (10) Costs of job training, advanced vocational or career
8 education, including but not limited to courses in
9 occupational, semi-technical or technical fields leading
10 directly to employment, incurred by one or more taxing
11 districts, provided that such costs are related to the
12 establishment and maintenance of additional job training,
13 advanced vocational education or career education programs for
14 persons employed or to be employed by employers located in an
15 economic development project area, and further provided that
16 when such costs are incurred by a taxing district or taxing
17 districts other than the municipality they shall be set forth
18 in a written agreement by or among the municipality and the
19 taxing district or taxing districts, which agreement describes
20 the program to be undertaken, including but not limited to the
21 number of employees to be trained, a description of the
22 training and services to be provided, the number and type of
23 positions available or to be available, itemized costs of the
24 program and sources of funds to pay the same, and the term of
25 the agreement. Such costs include, specifically, the payment by
26 community college districts of costs pursuant to Sections 3-37,

1 3-38, 3-40 and 3-40.1 of the Public Community College Act and
2 by school districts of costs pursuant to Sections 10-22.20a and
3 10-23.3a of The School Code;

4 (11) Private financing costs incurred by developers or
5 other nongovernmental persons in connection with an economic
6 development project, and specifically including payments to
7 developers or other nongovernmental persons as reimbursement
8 for such costs incurred by such developer or other
9 nongovernmental person, provided that:

10 (A) private financing costs shall be paid or reimbursed by
11 a municipality only pursuant to the prior official action of
12 the municipality evidencing an intent to pay or reimburse such
13 private financing costs;

14 (B) except as provided in subparagraph (D), the aggregate
15 amount of such costs paid or reimbursed by a municipality in
16 any one year shall not exceed 30% of such costs paid or
17 incurred by the developer or other nongovernmental person in
18 that year;

19 (C) private financing costs shall be paid or reimbursed by
20 a municipality solely from the special tax allocation fund
21 established pursuant to this Act and shall not be paid or
22 reimbursed from the proceeds of any obligations issued by a
23 municipality;

24 (D) if there are not sufficient funds available in the
25 special tax allocation fund in any year to make such payment or
26 reimbursement in full, any amount of such interest cost

1 remaining to be paid or reimbursed by a municipality shall
2 accrue and be payable when funds are available in the special
3 tax allocation fund to make such payment; and

4 (E) in connection with its approval and certification of an
5 economic development project pursuant to Section 5 of this Act,
6 the Department shall review any agreement authorizing the
7 payment or reimbursement by a municipality of private financing
8 costs in its consideration of the impact on the revenues of the
9 municipality and the affected taxing districts of the use of
10 tax increment allocation financing.

11 (f) "Municipality" means a city, village or incorporated
12 town.

13 (g) "Obligations" means any instrument evidencing the
14 obligation of a municipality to pay money, including without
15 limitation, bonds, notes, installment or financing contracts,
16 certificates, tax anticipation warrants or notes, vouchers,
17 and any other evidence of indebtedness.

18 (h) "Taxing districts" means counties, townships,
19 municipalities, and school, road, park, sanitary, mosquito
20 abatement, forest preserve, public health, fire protection,
21 river conservancy, tuberculosis sanitarium and any other
22 municipal corporations or districts with the power to levy
23 taxes upon property located within the economic development
24 project area.

25 (Source: P.A. 94-793, eff. 5-19-06.)

1 (20 ILCS 620/4) (from Ch. 67 1/2, par. 1004)

2 Sec. 4. Establishment of economic development project
3 areas; ordinance; notice; hearing; changes in economic
4 development plan. Economic development project areas shall be
5 established as follows:

6 (a) The corporate authorities of a municipality shall by
7 ordinance propose the establishment of an economic development
8 project area and fix a time and place for a public hearing, and
9 shall submit a certified copy of the ordinance as adopted to
10 the Department.

11 (b) (1) Notice of the public hearing shall be given by
12 publication and mailing. Notice by publication shall be given
13 by publication at least twice, the first publication to be not
14 more than 30 nor less than 10 days prior to the hearing in a
15 newspaper of general circulation within the taxing districts
16 having property in the proposed economic development project
17 area. Notice by mailing shall be given by depositing such
18 notice together with a copy of the proposed economic
19 development plan in the United States mails by certified mail
20 addressed to the person or persons in whose name the general
21 taxes for the last preceding year were paid on each lot, block,
22 tract, or parcel of land lying within the economic development
23 project area. The notice shall be mailed not less than 10 days
24 prior to the date set for the public hearing. In the event
25 taxes for the last preceding year were not paid, the notice
26 shall also be sent to the persons last listed on the tax rolls

1 within the preceding 3 years as the owners of such property.

2 (2) The notices issued pursuant to this Section shall
3 include the following:

4 (A) The time and place of public hearing;

5 (B) The boundaries of the proposed economic development
6 project area by legal description and by street location where
7 possible;

8 (C) A notification that all interested persons will be
9 given an opportunity to be heard at the public hearing;

10 (D) An invitation for any person to submit alternative
11 proposals or bids for any proposed conveyance, lease, mortgage
12 or other disposition of land within the proposed economic
13 development project area;

14 (E) A description of the economic development plan or
15 economic development project if a plan or project is a subject
16 matter of the hearing; and

17 (F) Such other matters as the municipality may deem
18 appropriate.

19 (3) Not less than 30 days prior to the date set for
20 hearing, the municipality shall give notice by mail as provided
21 in this subsection (b) to all taxing districts, of which
22 taxable property is included in the economic development
23 project area, and to the Department. In addition to the other
24 requirements under this subsection (b), the notice shall
25 include an invitation to the Department and each taxing
26 district to submit comments to the municipality concerning the

1 subject matter of the hearing prior to the date of hearing.

2 (c) At the public hearing any interested person, the
3 Department or any affected taxing district may file written
4 objections with the municipal clerk and may be heard orally
5 with respect to any issues embodied in the notice. The
6 municipality shall hear and determine all alternate proposals
7 or bids for any proposed conveyance, lease, mortgage or other
8 disposition of land and all protests and objections at the
9 hearing, and the hearing may be adjourned to another date
10 without further notice other than a motion to be entered upon
11 the minutes fixing the time and place of the adjourned hearing.
12 Public hearings with regard to an economic development plan,
13 economic development project area, or economic development
14 project may be held simultaneously.

15 (d) At the public hearing or at any time prior to the
16 adoption by the municipality of an ordinance approving an
17 economic development plan, the municipality may make changes in
18 the economic development plan. Changes which (1) alter the
19 exterior boundaries of the proposed economic development
20 project area, (2) substantially affect the general land uses
21 established in the proposed economic development plan, (3)
22 substantially change the nature of the proposed economic
23 development project, (4) change the general description of any
24 proposed developer, user or tenant of any property to be
25 located or improved within the economic development project
26 area, or (5) change the description of the type, class and

1 number of employees to be employed in the operation of the
2 facilities to be developed or improved within the economic
3 development project area shall be made only after notice and
4 hearing pursuant to the procedures set forth in this Section.
5 Changes which do not (1) alter the exterior boundaries of a
6 proposed economic development project area, (2) substantially
7 affect the general land uses established in the proposed
8 economic development plan, (3) substantially change the nature
9 of the proposed economic development project, (4) change the
10 general description of any proposed developer, user or tenant
11 of any property to be located or improved within the economic
12 development project area, or (5) change the description of the
13 type, class and number of employees to be employed in the
14 operation of the facilities to be developed or improved within
15 the economic development project area may be made without
16 further hearing, provided that the municipality shall give
17 notice of its changes by mail to the Department and to each
18 affected taxing district and by publication in a newspaper or
19 newspapers of general circulation within the affected taxing
20 districts. Such notice by mail and by publication shall each
21 occur not later than 10 days following the adoption by
22 ordinance of such changes.

23 (e) At any time within 30 days of the final adjournment of
24 the public hearing, a municipality may, by ordinance, approve
25 the economic development plan, establish the economic
26 development project area, and authorize tax increment

1 allocation financing for such economic development project
2 area. Any ordinance adopted which approves an economic
3 development plan shall contain findings that the developer or
4 any of its successor entities and its subsidiaries ~~economic~~
5 ~~development project~~ shall create or retain not less than 4,250
6 ~~2,000~~ full-time equivalent jobs, that private investment in an
7 amount not less than \$100,000,000 shall occur in the economic
8 development project area, that the economic development
9 project will encourage the increase of commerce and industry
10 within the State, thereby reducing the evils attendant upon
11 unemployment and increasing opportunities for personal income,
12 and that the economic development project will increase or
13 maintain the property, sales and income tax bases of the
14 municipality and of the State. Any ordinance adopted which
15 establishes an economic development project area shall contain
16 the boundaries of such area by legal description and, where
17 possible, by street location. Any ordinance adopted which
18 authorizes tax increment allocation financing shall provide
19 that the ad valorem taxes, if any, arising from the levies upon
20 taxable real property in such economic development project area
21 by taxing districts and tax rates determined in the manner
22 provided in subsection (b) of Section 6 of this Act each year
23 after the effective date of the ordinance until economic
24 development project costs and all municipal obligations
25 financing economic development project costs incurred under
26 this Act have been paid shall be divided as follows:

1 (1) That portion of taxes levied upon each taxable lot,
2 block, tract or parcel of real property which is attributable
3 to the lower of the current equalized assessed value or the
4 initial equalized assessed value of each such taxable lot,
5 block, tract or parcel of real property in the economic
6 development project area shall be allocated to and when
7 collected shall be paid by the county collector to the
8 respective affected taxing districts in the manner required by
9 law in the absence of the adoption of tax increment allocation
10 financing.

11 (2) That portion, if any, of such taxes which is
12 attributable to the increase in the current equalized assessed
13 valuation of each taxable lot, block, tract or parcel of real
14 property in the economic development project area over and
15 above the initial equalized assessed value of each property in
16 the economic development project area shall be allocated to and
17 when collected shall be paid to the municipal treasurer who
18 shall deposit such taxes into a special fund called the special
19 tax allocation fund of the municipality for the purpose of
20 paying economic development project costs and obligations
21 incurred in the payment thereof.

22 (f) After a municipality has by ordinance approved an
23 economic development plan and established an economic
24 development project area, the plan may be amended and the
25 boundaries of the area may be altered only as herein provided.
26 Amendments which (1) alter the exterior boundaries of an

1 economic development project area, (2) substantially affect
2 the general land uses established pursuant to the economic
3 development plan, (3) substantially change the nature of the
4 economic development project, (4) change the general
5 description of any proposed developer, user, or tenant of any
6 property to be located or improved within the economic
7 development project area, or (5) change the description of the
8 type, class and number of employees to be employed in the
9 operation of the facilities to be developed or improved within
10 the economic development project area, shall be made only after
11 notice and hearing pursuant to the procedures set forth in this
12 Section. Amendments which do not (1) alter the boundaries of
13 the economic development project area, (2) substantially
14 affect the general land uses established in the economic
15 development plan, (3) substantially change the nature of the
16 economic development project, (4) change the general
17 description of any proposed developer, user, or tenant of any
18 property to be located or improved within the economic
19 development project area, or (5) change the description of the
20 type, class and number of employees to be employed in the
21 operation of the facilities to be developed or improved within
22 the economic development project area may be made without
23 further hearing, provided that the municipality shall give
24 notice of any amendment by mail to the Department and to each
25 taxing district and by publication in a newspaper or newspapers
26 of general circulation within the affected taxing districts.

1 Such notice by mail and by publication shall each occur not
2 later than 10 days following the adoption by ordinance of any
3 amendments.

4 (g) Extension of economic development project area;
5 allocations; payment of outstanding claims; changes in
6 equalized assessed valuation.

7 (1) Notwithstanding anything to the contrary set forth in
8 this Act, upon the effective date of this amendatory Act of the
9 97th General Assembly, the duration of any existing economic
10 development plan created pursuant to this Act is extended to
11 the duration permitted under this subsection, up to a maximum
12 duration of 15 years.

13 (2) For the purposes of this Section, real estate taxes
14 paid on property within the economic development project area
15 during calendar year 2013 and remitted to the developer and the
16 taxing districts in 2014 shall be the "base amount". Beginning
17 with real estate taxes remitted in 2014, for any economic
18 development plan extended by operation of item (1) of this
19 subsection (g), until such time as all existing obligations, as
20 that term is defined in item (5) of this subsection (g), have
21 been satisfied, the allocation of the special tax allocation
22 fund shall be as follows:

23 (A) All receipts up to the first \$350,000 shall be
24 maintained by the municipality in an escrow account to be
25 used solely for (i) expenses relating to the reports
26 required by Section 4.7 of this Act and (ii) legal expenses

1 incurred in defense of any civil action brought against the
2 municipality relating to the economic development
3 agreement. The escrow account shall be within the scope of
4 the annual audit provided in Section 4.7 of this Act. Each
5 December 31 following a deposit into the escrow account,
6 any unobligated balance in the escrow account shall be
7 distributed to the taxing districts in the same manner and
8 proportion as the most recent distribution by the county
9 collector to the taxing districts in the economic
10 development project area.

11 (B) After the allocation required pursuant to
12 paragraph (A) of this item (2), the next \$5,000,000 of the
13 receipts shall be allocated to the municipality.

14 (C) After the allocations required pursuant to
15 paragraphs (A) and (B) of this item (2), 55% of the
16 remaining receipts shall be allocated to the developer.

17 (D) After the allocations required pursuant to parts
18 (A) and (B) of this item (2), 45% of the remaining receipts
19 shall be allocated to the taxing districts located within
20 the economic development project area, excluding the
21 municipality.

22 (3) For real estate taxes paid in 2012 and remitted to the
23 developer and the taxing districts in 2013 and prior years, the
24 allocation formula contained in any economic development plan
25 in effect immediately prior to the effective date of this
26 amendatory Act of the 97th General Assembly shall apply.

1 (4) Beginning with real estate taxes paid in 2014 and
2 remitted to the developer and the taxing districts in 2015 and
3 each year thereafter, if the taxes paid within the economic
4 development project area change from the base amount, the
5 allocation of the special tax allocation fund shall be as
6 follows:

7 (A) If the amount of current year taxes paid is less
8 than the base amount, then the administrative escrow
9 account shall receive the first \$350,000 of receipts, the
10 municipality shall receive the next \$5,000,000 of
11 receipts, the developer shall receive 55% of receipts over
12 \$5,350,000, and the remaining 45% of receipts over
13 \$5,350,000 shall be distributed to the taxing districts
14 (excluding the municipality) in the same manner and
15 proportion as the most recent distribution by the county
16 collector to those taxing districts in the economic
17 development project area.

18 (B) If the amount of current year taxes paid is greater
19 than the base amount, then 75% of the increase in real
20 estate tax receipts shall be payable to the developer and
21 the remaining 25% of the increase in real estate tax
22 receipts shall be distributed to the taxing districts
23 (including the municipality) pursuant to the formula in
24 this subsection.

25 (5) After (i) all existing obligations and interest thereon
26 have been satisfied, (ii) any excess moneys have been

1 distributed pursuant to this subsection, and (iii) final
2 closing of the books and records of the economic development
3 project area has occurred, the municipality shall adopt an
4 ordinance dissolving the special tax allocation fund for the
5 economic development project area and terminating the
6 designation of the economic development project area as an
7 economic development project area. All excess moneys in the
8 special tax allocation fund shall be distributed to the taxing
9 districts in the same manner and proportion as the most recent
10 distribution by the county collector to those taxing districts
11 in the economic development project area. For the purpose of
12 this subsection (g), "existing obligations" means (i) the
13 obligations of the developer that existed before the base year,
14 as certified by a sworn affidavit of the principal financial
15 officer of the developer attesting that the amounts set forth
16 are true and correct, (ii) obligations of the municipality
17 relating to the payment of the obligations of the developer,
18 and (iii) any amounts payable by taxing districts to the
19 developer for property taxes determined to have been overpaid,
20 to the extent that those amounts payable have been carried
21 forward as an interest bearing note due to the developer. All
22 obligations of the developer due and payable shall be processed
23 and paid in the order received, with the oldest notes to be
24 processed and paid first. Beginning January 1, 2012, all
25 outstanding interest bearing notes shall bear interest at the
26 rate of 4% until paid.

1 (h) Beginning on the effective date of this amendatory Act
2 of the 97th General Assembly, the taxing districts shall meet
3 annually 180 days after the close of the municipal fiscal year,
4 or as soon as the economic development project audit for that
5 fiscal year becomes available, to review the effectiveness and
6 status of the economic development project area up to that
7 date.

8 (Source: P.A. 86-38.)

9 (20 ILCS 620/4.5 new)

10 Sec. 4.5. Recapture.

11 (a) In the event that the developer terminates all of its
12 operations and vacates the redevelopment area within 60 months
13 after the effective date of this amendatory Act of the 97th
14 General Assembly, the developer shall be required to remit to
15 the Department an amount equal to the payments disbursed to the
16 developer in 2014 and subsequent years under the Agreement.
17 Within 30 days after receipt, the Department shall remit such
18 funds to the county collector. The county collector shall
19 thereafter make distribution to the respective taxing
20 districts in the same manner and proportion as the most recent
21 distribution by the county collector to those taxing districts
22 of real property taxes from real property in the economic
23 development project area.

24 (b) In the event the developer fails to maintain 4,250 jobs
25 at any time before the termination of the economic development

1 project area, except as provided in subsection (c), the
2 developer shall forfeit an amount of its allocations from the
3 special tax allocation fund for that time period in which the
4 developer failed to maintain 4,250 jobs. The amount forfeited
5 shall equal the percentage of the year that the developer
6 failed to maintain 4,250 jobs multiplied by the amount the
7 developer would have received if they maintained 4,250 jobs for
8 the entire year. Any funds that are forfeited shall be
9 distributed to the taxing districts in the same manner and
10 proportion as the most recent distribution by the county
11 collector to those taxing districts (inclusive of the
12 municipality) in the economic development project area.

13 (c) In the event that the developer maintains no jobs at
14 any time before the termination of the economic development
15 project area, the municipality shall adopt an ordinance
16 dissolving the special tax allocation fund for the economic
17 development project area and terminating the economic
18 development project area as an economic development project
19 area. That ordinance shall be adopted no later than one year
20 after the date that the developer maintains no jobs within the
21 economic development project area. All excess moneys in the
22 special tax allocation fund shall be distributed to the taxing
23 districts in the same manner and proportion as the most recent
24 distribution by the county collector to those taxing districts
25 in the economic development project area.

1 (20 ILCS 620/4.7 new)

2 Sec. 4.7. Municipal reports. After the effective date of
3 this amendatory Act of the 97th General Assembly, a
4 municipality shall submit in an electronic format all of the
5 following information for each economic development project
6 area (i) to the State Comptroller and (ii) to all taxing
7 districts overlapping the economic development project area no
8 later than 180 days after the close of each municipal fiscal
9 year or as soon thereafter as the audited financial statements
10 become available:

11 (1) Any amendments to the economic development plan or
12 the economic development project area.

13 (2) Audited financial statements of the special tax
14 allocation fund once a cumulative total of \$100,000 has
15 been deposited into the fund.

16 (3) Certification of the Chief Executive Officer of the
17 municipality that the municipality has complied with all of
18 the requirements of this Act during the preceding fiscal
19 year.

20 (4) An opinion of legal counsel that the municipality
21 is in compliance with this Act.

22 (5) An analysis of the special tax allocation fund that
23 sets forth:

24 (A) the balance in the special tax allocation fund
25 at the beginning of the fiscal year;

26 (B) all amounts deposited in the special tax

1 allocation fund by source;

2 (C) an itemized list of all expenditures from the
3 special tax allocation fund by category of permissible
4 economic development project cost; and

5 (D) the balance in the special tax allocation fund
6 at the end of the fiscal year, including a breakdown of
7 that balance by source and a breakdown of that balance
8 identifying any portion of the balance that is
9 required, pledged, earmarked, or otherwise designated
10 for payment of or securing of obligations and
11 anticipated economic development project costs; any
12 portion of that ending balance that has not been
13 identified or is not identified as being required,
14 pledged, earmarked, or otherwise designated for
15 payment of or securing of obligations or anticipated
16 economic development project costs shall be designated
17 as surplus as set forth in Section 8 of this Act.

18 (6) A description of all property purchased by the
19 municipality within the economic development project area
20 including:

21 (A) street address;

22 (B) approximate size or description of property;

23 (C) purchase price; and

24 (D) the seller of the property.

25 (7) A statement setting forth all activities
26 undertaken in furtherance of the objectives of the economic

1 development plan, including:

2 (A) any project implemented in the preceding
3 fiscal year;

4 (B) a description of the economic development
5 activities undertaken;

6 (C) a description of any agreements entered into by
7 the municipality with regard to the disposition or
8 redevelopment of any property within the economic
9 development project area;

10 (D) additional information on the use of all funds
11 received under this Act and steps taken by the
12 municipality to achieve the objectives of the economic
13 development plan;

14 (E) information regarding contracts that the
15 municipality's tax increment advisors or consultants
16 have entered into with entities or persons that have
17 received, or are receiving, payments financed by tax
18 increment revenues produced by the same economic
19 development project area; and

20 (F) a review of public and, to the extent possible,
21 private investment actually undertaken on or after the
22 effective date of this amendatory Act of the 97th
23 General Assembly and prior to the date of the report
24 and estimated to be undertaken during the following
25 fiscal year; this review shall, on a project by project
26 basis, set forth the estimated amounts of public and

1 private investment incurred after the effective date
2 of this amendatory Act of the 97th General Assembly and
3 provide the ratio of private investment to public
4 investment to the date of the report and as estimated
5 to the completion of the economic development project.

6 (8) With regard to any obligations issued by the
7 municipality:

8 (A) copies of any official statements; and

9 (B) an analysis prepared by a financial advisor or
10 underwriter setting forth: (i) the nature and term of
11 those obligations; and (ii) projected debt service
12 including required reserves and debt coverage.

13 (9) For special tax allocation funds that have
14 experienced cumulative deposits of incremental tax
15 revenues of \$100,000 or more, a certified audit report
16 reviewing compliance with this Act performed by an
17 independent certified public accountant licensed by the
18 authority of the State of Illinois. The financial portion
19 of the audit must be conducted in accordance with Standards
20 for Audits of Governmental Organizations, Programs,
21 Activities, and Functions adopted by the Comptroller
22 General of the United States (1981), as amended, or the
23 standards specified by Section 8-8-5 of the Illinois
24 Municipal Auditing Law of the Illinois Municipal Code. The
25 audit report shall contain a letter from the independent
26 certified public accountant indicating compliance or

1 noncompliance with the requirements of subsection (e) of
2 Section 3 of this Act.

3 (10) A list of all intergovernmental agreements in
4 effect during the fiscal year to which the municipality is
5 a party and an accounting of any moneys transferred or
6 received by the municipality during that fiscal year
7 pursuant to those intergovernmental agreements.

8 (20 ILCS 620/5) (from Ch. 67 1/2, par. 1005)

9 Sec. 5. Submission to Department; certification by
10 Department; limitation on number of permissible economic
11 development project areas. (a) The municipality shall submit
12 certified copies of any ordinances adopted approving an
13 economic development plan, establishing an economic
14 development project area, and authorizing tax increment
15 allocation financing for such economic development project
16 area to the Department, together with (1) a map of the economic
17 development project area, (2) a copy of the economic
18 development plan as approved, (3) an analysis, and any
19 supporting documents and statistics, demonstrating that the
20 developer or any of its successor entities and its subsidiaries
21 ~~economic development project~~ shall create or retain not less
22 than 4,250 ~~2,000~~ full-time equivalent jobs and that private
23 investment in the amount of not less than \$100,000,000 shall
24 occur in the economic development project area, (4) an estimate
25 of the economic impact of the economic development project and

1 the use of tax increment allocation financing upon the revenues
2 of the municipality and the affected taxing districts, (5) a
3 record of all public hearings had in connection with the
4 establishment of the economic development project area, and (6)
5 such other information as the Department by regulation may
6 require.

7 (b) Upon receipt of an application from a municipality the
8 Department shall review the application to determine whether
9 the economic development project area qualifies as an economic
10 development project area under this Act. At its discretion, the
11 Department may accept or reject the application or may request
12 such additional information as it deems necessary or advisable
13 to aid its review. If any such area is found to be qualified to
14 be an economic development project area, the Department shall
15 approve and certify such economic development project area and
16 shall provide written notice of its approval and certification
17 to the municipality and to the county clerk. In determining
18 whether an economic development project area shall be approved
19 and certified, the Department shall consider (1) whether,
20 without public intervention, the State would suffer
21 substantial economic dislocation, such as relocation of a
22 commercial business or industrial or manufacturing facility to
23 another state, territory or country, or would not otherwise
24 benefit from private investment offering substantial
25 employment opportunities and economic growth, and (2) the
26 impact on the revenues of the municipality and the affected

1 taxing districts of the use of tax increment allocation
2 financing in connection with the economic development project.

3 (c) On or before the date which is 18 months following the
4 date on which this Act becomes law, the Department shall submit
5 to the General Assembly a report detailing the number of
6 economic development project areas it has approved and
7 certified, the number and type of jobs created or retained
8 therein, the aggregate amount of private investment therein,
9 the impact on the revenues of municipalities and affected
10 taxing districts of the use of tax increment allocation
11 financing therein, and such additional information as the
12 Department may determine to be relevant. On or after the date
13 which is 20 months following the date on which this Act becomes
14 law the authority granted hereunder to municipalities to
15 establish economic development project areas and to adopt tax
16 increment allocation financing in connection therewith and to
17 the Department to approve and certify economic development
18 project areas shall expire unless the General Assembly shall
19 have authorized municipalities and the Department to continue
20 to exercise the powers granted to them hereunder.

21 (Source: P.A. 86-38.)

22 (20 ILCS 620/8) (from Ch. 67 1/2, par. 1008)

23 Sec. 8. Issuance of obligations for economic development
24 project costs. Obligations secured by the special tax
25 allocation fund provided for in Section 7 of this Act for an

1 economic development project area may be issued to provide for
2 economic development project costs. Those obligations, when so
3 issued, shall be retired in the manner provided in the
4 ordinance authorizing the issuance of the obligations by the
5 receipts of taxes levied as specified in Section 6 of this Act
6 against the taxable property included in the economic
7 development project area and by other revenue designated or
8 pledged by the municipality. A municipality may in the
9 ordinance pledge all or any part of the funds in and to be
10 deposited in the special tax allocation fund created pursuant
11 to Section 7 of this Act to the payment of the economic
12 development project costs and obligations. Whenever a
13 municipality pledges all of the funds to the credit of a
14 special tax allocation fund to secure obligations issued or to
15 be issued to pay economic development project costs, the
16 municipality may specifically provide that funds remaining to
17 the credit of such special tax allocation fund after the
18 payment of such obligations shall be accounted for annually and
19 shall be deemed to be "surplus" funds, and such "surplus" funds
20 shall be distributed as hereinafter provided. Whenever a
21 municipality pledges less than all of the monies to the credit
22 of a special tax allocation fund to secure obligations issued
23 or to be issued to pay economic development project costs, the
24 municipality shall provide that monies to the credit of the
25 special tax allocation fund and not subject to such pledge or
26 otherwise encumbered or required for payment of contractual

1 obligations for specific economic development project costs
2 shall be calculated annually and shall be deemed to be
3 "surplus" funds, and such "surplus" funds shall be distributed
4 as hereinafter provided. All funds to the credit of a special
5 tax allocation fund which are deemed to be "surplus" funds
6 shall be distributed annually within 180 days of the close of
7 the municipality's fiscal year by being paid by the municipal
8 treasurer to the county collector. The county collector shall
9 thereafter make distribution to the respective taxing
10 districts in the same manner and proportion as the most recent
11 distribution by the county collector to those taxing districts
12 of real property taxes from real property in the economic
13 development project area.

14 Without limiting the foregoing in this Section the
15 municipality may, in addition to obligations secured by the
16 special tax allocation fund, pledge for a period not greater
17 than the term of the obligations towards payment of those
18 obligations any part or any combination of the following: (i)
19 net revenues of all or part of any economic development
20 project; (ii) taxes levied and collected on any or all property
21 in the municipality, including, specifically, taxes levied or
22 imposed by the municipality in a special service area pursuant
23 to "An Act to provide the manner of levying or imposing taxes
24 for the provision of special services to areas within the
25 boundaries of home rule units and non-home rule municipalities
26 and counties", approved September 21, 1973, as now or hereafter

1 amended; (iii) the full faith and credit of the municipality;
2 (iv) a mortgage on part or all of the economic development
3 project; or (v) any other taxes or anticipated receipts that
4 the municipality may lawfully pledge.

5 Such obligations may be issued in one or more series
6 bearing interest at such rate or rates as the corporate
7 authorities of the municipality shall determine by ordinance,
8 which rate or rates may be variable or fixed, without regard to
9 any limitations contained in any law now in effect or hereafter
10 adopted. Such obligations shall bear such date or dates, mature
11 at such time or times not exceeding 38 ~~20~~ years from their
12 respective dates, but in no event exceeding 38 ~~23~~ years from
13 the date of establishment of the economic development project
14 area, be in such denomination, be in such form, whether coupon,
15 registered or book-entry, carry such registration, conversion
16 and exchange privileges, be executed in such manner, be payable
17 in such medium of payment at such place or places within or
18 without the State of Illinois, contain such covenants, terms
19 and conditions, be subject to redemption with or without
20 premium, be subject to defeasance upon such terms, and have
21 such rank or priority, as such ordinance shall provide.
22 Obligations issued pursuant to this Act may be sold at public
23 or private sale at such price as shall be determined by the
24 corporate authorities of the municipalities. Such obligations
25 may, but need not, be issued utilizing the provisions of any
26 one or more of the omnibus bond Acts specified in Section 1.33

1 of "An Act to revise the law in relation to the construction of
2 the statutes", approved March 5, 1874, as now or hereafter
3 amended. No referendum approval of the electors shall be
4 required as a condition to the issuance of obligations pursuant
5 to this Act except as provided in this Section.

6 Whenever a municipality issues bonds for the purpose of
7 financing economic development project costs, the municipality
8 may provide by ordinance for the appointment of a trustee,
9 which may be any trust company within the State, and for the
10 establishment of the funds or accounts to be maintained by such
11 trustee as the municipality shall deem necessary to provide for
12 the security and payment of the bonds. If the municipality
13 provides for the appointment of a trustee, the trustee shall be
14 considered the assignee of any payments assigned by the
15 municipality pursuant to the ordinance and this Section. Any
16 amounts paid to the trustee as assignee shall be deposited in
17 the funds or accounts established pursuant to the trust
18 agreement, and shall be held by the trustee in trust for the
19 benefit of the holders of the bonds, and the holders shall have
20 a lien on and a security interest in those bonds or accounts so
21 long as the bonds remain outstanding and unpaid. Upon
22 retirement of the bonds, the trustee shall pay over any excess
23 amounts held to the municipality for deposit in the special tax
24 allocation fund.

25 In the event the municipality authorizes the issuance of
26 obligations pursuant to the authority of this Act secured by

1 the full faith and credit of the municipality, or pledges ad
2 valorem taxes pursuant to clause (ii) of the second paragraph
3 of this Section, which obligations are other than obligations
4 which may be issued under home rule powers provided by Article
5 VII, Section 6 of the Illinois Constitution or which ad valorem
6 taxes are other than ad valorem taxes which may be pledged
7 under home rule powers provided by Article VII, Section 6 of
8 the Illinois Constitution or which are levied in a special
9 service area pursuant to "An Act to provide the manner of
10 levying or imposing taxes for the provision of special services
11 to areas within the boundaries of home rule units and non-home
12 rule municipalities and counties", approved September 21,
13 1973, as now or hereafter amended, the ordinance authorizing
14 the issuance of those obligations or pledging those taxes shall
15 be published within 10 days after the ordinance has been
16 adopted, in one or more newspapers having a general circulation
17 within the municipality. The publication of the ordinance shall
18 be accompanied by a notice of (1) the specific number of voters
19 required to sign a petition requesting the question of the
20 issuance of the obligations or pledging such ad valorem taxes
21 to be submitted to the electors; (2) the time within which the
22 petition must be filed; and (3) the date of the prospective
23 referendum. The municipal clerk shall provide a petition form
24 to any individual requesting one.

25 If no petition is filed with the municipal clerk, as
26 hereinafter provided in this Section, within 21 days after the

1 publication of the ordinance, the ordinance shall be in effect.
2 However, if within that 21 day period a petition is filed with
3 the municipal clerk, signed by electors numbering not less than
4 15% of the number of electors voting for the mayor or president
5 at the last general municipal election, asking that the
6 question of issuing obligations using full faith and credit of
7 the municipality as security for the cost of paying for
8 economic development project costs, or of pledging such ad
9 valorem taxes for the payment of those obligations, or both, be
10 submitted to the electors of the municipality, the municipality
11 shall not be authorized to issue obligations of the
12 municipality using the full faith and credit of the
13 municipality as security or pledging such ad valorem taxes for
14 the payment of those obligations, or both, until the
15 proposition has been submitted to and approved by a majority of
16 the voters voting on the proposition at a regularly scheduled
17 election. The municipality shall certify the proposition to the
18 proper election authorities for submission in accordance with
19 the general election law.

20 The ordinance authorizing the obligations may provide that
21 the obligations shall contain a recital that they are issued
22 pursuant to this Act, which recital shall be conclusive
23 evidence of their validity and of the regularity of their
24 issuance.

25 In the event the municipality authorizes issuance of
26 obligations pursuant to this Act secured by the full faith and

1 credit of the municipality, the ordinance authorizing the
2 obligations may provide for the levy and collection of a direct
3 annual tax upon all taxable property within the municipality
4 sufficient to pay the principal thereof and interest thereon as
5 it matures, which levy may be in addition to and exclusive of
6 the maximum of all other taxes authorized to be levied by the
7 municipality, which levy, however, shall be abated to the
8 extent that monies from other sources are available for payment
9 of the obligations and the municipality certifies the amount of
10 those monies available to the county clerk.

11 A certified copy of the ordinance shall be filed with the
12 county clerk of each county in which any portion of the
13 municipality is situated, and shall constitute the authority
14 for the extension and collection of the taxes to be deposited
15 in the special tax allocation fund.

16 A municipality may also issue its obligations to refund, in
17 whole or in part, obligations theretofore issued by the
18 municipality under the authority of this Act, whether at or
19 prior to maturity. However, the last maturity of the refunding
20 obligations shall not be expressed to mature later than 38 ~~23~~
21 years from the date of the ordinance establishing the economic
22 development project area.

23 In the event a municipality issues obligations under home
24 rule powers or other legislative authority, the proceeds of
25 which are pledged to pay for economic development project
26 costs, the municipality may, if it has followed the procedures

1 in conformance with this Act, retire those obligations from
2 funds in the special tax allocation fund in amounts and in such
3 manner as if those obligations had been issued pursuant to the
4 provisions of this Act.

5 No obligations issued pursuant to this Act shall be
6 regarded as indebtedness of the municipality issuing those
7 obligations or any other taxing district for the purpose of any
8 limitation imposed by law.

9 Obligations issued pursuant to this Act shall not be
10 subject to the provisions of "An Act to authorize public
11 corporations to issue bonds, other evidences of indebtedness
12 and tax anticipation warrants subject to interest rate
13 limitations set forth therein", approved May 26, 1970, as
14 amended.

15 (Source: P.A. 86-38.)

16 (20 ILCS 620/9) (from Ch. 67 1/2, par. 1009)

17 Sec. 9. Powers of municipalities. In addition to powers
18 which it may now have, any municipality has the power under
19 this Act:

20 (a) To make and enter into all contracts necessary or
21 incidental to the implementation and furtherance of an economic
22 development plan.

23 (b) Within an economic development project area, to acquire
24 by purchase, donation, lease or eminent domain, and to own,
25 convey, lease, mortgage or dispose of land and other real or

1 personal property or rights or interests therein; and to grant
2 or acquire licenses, easements and options with respect
3 thereto, all in the manner and at such price the municipality
4 determines is reasonably necessary to achieve the objectives of
5 the economic development project. No conveyance, lease,
6 mortgage, disposition of land or other property acquired by the
7 municipality, or agreement relating to the development of
8 property, shall be made or executed except pursuant to prior
9 official action of the municipality. No conveyance, lease,
10 mortgage or other disposition of land, and no agreement
11 relating to the development of property, shall be made without
12 making public disclosure of the terms and disposition of all
13 bids and proposals submitted to the municipality in connection
14 therewith.

15 (c) To clear any area within an economic development
16 project area by demolition or removal of any existing
17 buildings, structures, fixtures, utilities or improvements,
18 and to clear and grade land.

19 (d) To install, repair, construct, reconstruct or relocate
20 public streets, public utilities, and other public site
21 improvements within or without an economic development project
22 area which are essential to the preparation of an economic
23 development project area for use in accordance with an economic
24 development plan.

25 (e) To renovate, rehabilitate, reconstruct, relocate,
26 repair or remodel any existing buildings, improvements, and

1 fixtures within an economic development project area.

2 (f) To construct, acquire, and operate public
3 improvements, including but not limited to, publicly owned
4 buildings, structures, works, utilities or fixtures within any
5 economic development project area, subject to the restrictions
6 of item (5) of subsection (e) of Section 3 of this Act.

7 (g) To issue obligations as provided in this Act ~~provided~~.

8 (h) To fix, charge and collect fees, rents and charges for
9 the use of any building, facility or property or any portion
10 thereof owned or leased by the municipality within an economic
11 development project area.

12 (i) To accept grants, guarantees, donations of property or
13 labor, or any other thing of value for use in connection with
14 an economic development project.

15 (j) To pay or cause to be paid economic development project
16 costs. Any payments to be made by the municipality to
17 developers or other nongovernmental persons for economic
18 development project costs incurred by such developer or other
19 nongovernmental person shall be made only pursuant to the prior
20 official action of the municipality evidencing an intent to pay
21 or cause to be paid such economic development project costs. A
22 municipality is not required to obtain any right, title or
23 interest in any real or personal property in order to pay
24 economic development project costs associated with such
25 property. The municipality shall adopt such accounting
26 procedures as may be necessary to determine that such economic

1 development project costs are properly paid.

2 (k) To exercise any and all other powers necessary to
3 effectuate the purposes of this Act.

4 (l) To create a commission of not less than 5 or more than
5 15 persons to be appointed by the mayor or president of the
6 municipality with the consent of the majority of the corporate
7 authorities of the municipality. Members of a commission shall
8 be appointed for initial terms of 1, 2, 3, 4, and 5 years,
9 respectively, in such numbers as to provide that the terms of
10 not more than 1/3 of all such members shall expire in any one
11 year. Their successors shall be appointed for a term of 5
12 years. The commission, subject to approval of the corporate
13 authorities, may exercise the powers enumerated in this
14 Section. The commission shall also have the power to hold the
15 public hearings required by this Act and make recommendations
16 to the corporate authorities concerning the approval of
17 economic development plans, the establishment of economic
18 development project areas, and the adoption of tax increment
19 allocation financing for economic development project areas.

20 (Source: P.A. 91-357, eff. 7-29-99.)

21 (20 ILCS 620/11) (from Ch. 67 1/2, par. 1011)

22 Sec. 11. Payment of project costs; revenues from
23 governmental ~~municipal~~ property. Revenues received by a taxing
24 district ~~municipality~~ from any property, building or facility
25 owned, leased or operated by the taxing district ~~municipality~~

1 or any agency or authority established by the taxing district
2 ~~municipality~~ may be used to pay economic development project
3 costs, or reduce outstanding obligations of the taxing district
4 ~~municipality~~ incurred under this Act for economic development
5 project costs. The taxing district ~~municipality~~ may place those
6 revenues in the special tax allocation fund which shall be held
7 by the ~~municipal~~ treasurer of the taxing district or other
8 person designated by the taxing district ~~municipality~~. Revenue
9 received by a taxing district ~~the municipality~~ from the sale or
10 other disposition of real or personal property or rights or
11 interests therein acquired by a taxing district ~~the~~
12 ~~municipality~~ with the proceeds of obligations funded by tax
13 increment allocation financing may be used to acquire and
14 operate other governmental property that is within the economic
15 development project area or that provides services within the
16 economic development project area, subject to the restrictions
17 of item (5) of subsection (e) of Section 3 of this Act. ~~shall~~
18 ~~be deposited by the municipality in the special tax allocation~~
19 ~~fund.~~

20 (Source: P.A. 86-38.)

21 Section 15-7. The New Markets Development Program Act is
22 amended by changing Section 50 as follows:

23 (20 ILCS 663/50)

24 Sec. 50. Sunset. For fiscal years following fiscal year

1 2017 ~~2012~~, qualified equity investments shall not be made under
2 this Act unless reauthorization is made pursuant to this
3 Section. For all fiscal years following fiscal year 2017 ~~2012~~,
4 unless the General Assembly adopts a joint resolution granting
5 authority to the Department to approve qualified equity
6 investments for the Illinois new markets development program
7 and clearly describing the amount of tax credits available for
8 the next fiscal year, or otherwise complies with the provisions
9 of this Section, no qualified equity investments may be
10 permitted to be made under this Act. The amount of available
11 tax credits contained in such a resolution shall not exceed the
12 limitation provided under Section 20. Nothing in this Section
13 precludes a taxpayer who makes a qualified equity investment
14 prior to the expiration of authority to make qualified equity
15 investments from claiming tax credits relating to that
16 qualified equity investment for each applicable credit
17 allowance date.

18 (Source: P.A. 95-1024, eff. 12-31-08.)

19 Section 15-10. The Illinois Income Tax Act is amended by
20 changing Sections 201, 207, 250, 304, 804, and 1501 as follows:

21 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

22 Sec. 201. Tax Imposed.

23 (a) In general. A tax measured by net income is hereby
24 imposed on every individual, corporation, trust and estate for

1 each taxable year ending after July 31, 1969 on the privilege
2 of earning or receiving income in or as a resident of this
3 State. Such tax shall be in addition to all other occupation or
4 privilege taxes imposed by this State or by any municipal
5 corporation or political subdivision thereof.

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

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

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

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

24 (4) In the case of an individual, trust, or estate, for
25 taxable years beginning prior to January 1, 2011, and
26 ending after December 31, 2010, an amount equal to the sum

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

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

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

16 (5.2) In the case of an individual, trust, or estate,
17 for taxable years beginning on or after January 1, 2015,
18 and ending prior to January 1, 2025, an amount equal to
19 3.75% of the taxpayer's net income for the taxable year.

20 (5.3) In the case of an individual, trust, or estate,
21 for taxable years beginning prior to January 1, 2025, and
22 ending after December 31, 2024, an amount equal to the sum
23 of (i) 3.75% of the taxpayer's net income for the period
24 prior to January 1, 2025, as calculated under Section
25 202.5, and (ii) 3.25% of the taxpayer's net income for the
26 period after December 31, 2024, as calculated under Section

1 202.5.

2 (5.4) In the case of an individual, trust, or estate,
3 for taxable years beginning on or after January 1, 2025, an
4 amount equal to 3.25% of the taxpayer's net income for the
5 taxable year.

6 (6) In the case of a corporation, for taxable years
7 ending prior to July 1, 1989, an amount equal to 4% of the
8 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, 1989,
13 as calculated under Section 202.3, and (ii) 4.8% of the
14 taxpayer's net income for the period after June 30, 1989,
15 as calculated under Section 202.3.

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

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

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

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

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

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

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

26 The rates under this subsection (b) are subject to the

1 provisions of Section 201.5.

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

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

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

25 (1) For the purposes of subsection (d-1), in no event
26 shall the sum of the rates of tax imposed by subsections

1 (b) and (d) be reduced below the rate at which the sum of:

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

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

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

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

26 (e) Investment credit. A taxpayer shall be allowed a credit

1 against the Personal Property Tax Replacement Income Tax for
2 investment in qualified property.

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

1 taxpayer's liability in any tax year below zero, nor may
2 any credit for qualified property be allowed for any year
3 other than the year in which the property was placed in
4 service in Illinois. For tax years ending on or after
5 December 31, 1987, and on or before December 31, 1988, the
6 credit shall be allowed for the tax year in which the
7 property is placed in service, or, if the amount of the
8 credit exceeds the tax liability for that year, whether it
9 exceeds the original liability or the liability as later
10 amended, such excess may be carried forward and applied to
11 the tax liability of the 5 taxable years following the
12 excess credit years if the taxpayer (i) makes investments
13 which cause the creation of a minimum of 2,000 full-time
14 equivalent jobs in Illinois, (ii) is located in an
15 enterprise zone established pursuant to the Illinois
16 Enterprise Zone Act and (iii) is certified by the
17 Department of Commerce and Community Affairs (now
18 Department of Commerce and Economic Opportunity) as
19 complying with the requirements specified in clause (i) and
20 (ii) by July 1, 1986. The Department of Commerce and
21 Community Affairs (now Department of Commerce and Economic
22 Opportunity) shall notify the Department of Revenue of all
23 such certifications immediately. For tax years ending
24 after December 31, 1988, the credit shall be allowed for
25 the tax year in which the property is placed in service,
26 or, if the amount of the credit exceeds the tax liability

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

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

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

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

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

25 (D) is used in Illinois by a taxpayer who is
26 primarily engaged in manufacturing, or in mining coal

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

5 (E) has not previously been used in Illinois in
6 such a manner and by such a person as would qualify for
7 the credit provided by this subsection (e) or
8 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 of
15 this subsection (e) the term "mining" shall have the same
16 meaning as the term "mining" in Section 613(c) of the
17 Internal Revenue Code. For purposes of this subsection (e),
18 the term "retailing" means the sale of tangible personal
19 property for use or consumption and not for resale, or
20 services rendered in conjunction with the sale of tangible
21 personal property for use or consumption and not for
22 resale. For purposes of this subsection (e), "tangible
23 personal property" has the same meaning as when that term
24 is used in the Retailers' Occupation Tax Act, and, for
25 taxable years ending after December 31, 2008, does not
26 include the generation, transmission, or distribution of

1 electricity.

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

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

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

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

1 property to the extent of such reduction.

2 (8) Unless the investment credit is extended by law,
3 the basis of qualified property shall not include costs
4 incurred after December 31, 2018 ~~2013~~, except for costs
5 incurred pursuant to a binding contract entered into on or
6 before December 31, 2018 ~~2013~~.

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

23 For taxable years ending on or after December 31, 2000,
24 a partner that qualifies its partnership for a subtraction
25 under subparagraph (I) of paragraph (2) of subsection (d)
26 of Section 203 or a shareholder that qualifies a Subchapter

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

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

13 (1) A taxpayer shall be allowed a credit against the
14 tax imposed by subsections (a) and (b) of this Section for
15 investment in qualified property which is placed in service
16 in an Enterprise Zone created pursuant to the Illinois
17 Enterprise Zone Act or, for property placed in service on
18 or after July 1, 2006, a River Edge Redevelopment Zone
19 established pursuant to the River Edge Redevelopment Zone
20 Act. For partners, shareholders of Subchapter S
21 corporations, and owners of limited liability companies,
22 if the liability company is treated as a partnership for
23 purposes of federal and State income taxation, there shall
24 be allowed a credit under this subsection (f) to be
25 determined in accordance with the determination of income
26 and distributive share of income under Sections 702 and 704

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

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

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

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

1 (f);

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

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

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

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

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

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

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

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

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

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

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

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

15 (2) To qualify for the credit:

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

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

1 the taxpayer as of December 31, 1985, whichever is
2 later; and

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

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

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

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

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

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

26 (4) For tax years ending on or after December 31, 1985

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

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

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

20 (h) Investment credit; High Impact Business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 (k) Research and development credit.

23 For tax years ending after July 1, 1990 and prior to
24 December 31, 2003, and beginning again for tax years ending on
25 or after December 31, 2004, and ending prior to January 1, 2016
26 ~~January 1, 2011~~, a taxpayer shall be allowed a credit against

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

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

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

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

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

26 (1) Environmental Remediation Tax Credit.

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

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

22 (ii) A credit allowed under this subsection that is
23 unused in the year the credit is earned may be carried
24 forward to each of the 5 taxable years following the year
25 for which the credit is first earned until it is used. The
26 term "unused credit" does not include any amounts of

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

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

24 (m) Education expense credit. Beginning with tax years
25 ending after December 31, 1999, a taxpayer who is the custodian
26 of one or more qualifying pupils shall be allowed a credit

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

10 For purposes of this subsection:

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

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

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

1 attend any particular public or nonpublic school to qualify for
2 the credit under this Section.

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

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

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

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

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

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

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

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

20 (35 ILCS 5/207) (from Ch. 120, par. 2-207)

21 Sec. 207. Net Losses.

22 (a) If after applying all of the (i) modifications provided
23 for in paragraph (2) of Section 203(b), paragraph (2) of
24 Section 203(c) and paragraph (2) of Section 203(d) and (ii) the
25 allocation and apportionment provisions of Article 3 of this

1 Act and subsection (c) of this Section, the taxpayer's net
2 income results in a loss;

3 (1) for any taxable year ending prior to December 31,
4 1999, such loss shall be allowed as a carryover or
5 carryback deduction in the manner allowed under Section 172
6 of the Internal Revenue Code;

7 (2) for any taxable year ending on or after December
8 31, 1999 and prior to December 31, 2003, such loss shall be
9 allowed as a carryback to each of the 2 taxable years
10 preceding the taxable year of such loss and shall be a net
11 operating loss carryover to each of the 20 taxable years
12 following the taxable year of such loss; and

13 (3) for any taxable year ending on or after December
14 31, 2003, such loss shall be allowed as a net operating
15 loss carryover to each of the 12 taxable years following
16 the taxable year of such loss, except as provided in
17 subsection (d).

18 (a-5) Election to relinquish carryback and order of
19 application of losses.

20 (A) For losses incurred in tax years ending prior
21 to December 31, 2003, the taxpayer may elect to
22 relinquish the entire carryback period with respect to
23 such loss. Such election shall be made in the form and
24 manner prescribed by the Department and shall be made
25 by the due date (including extensions of time) for
26 filing the taxpayer's return for the taxable year in

1 which such loss is incurred, and such election, once
2 made, shall be irrevocable.

3 (B) The entire amount of such loss shall be carried
4 to the earliest taxable year to which such loss may be
5 carried. The amount of such loss which shall be carried
6 to each of the other taxable years shall be the excess,
7 if any, of the amount of such loss over the sum of the
8 deductions for carryback or carryover of such loss
9 allowable for each of the prior taxable years to which
10 such loss may be carried.

11 (b) Any loss determined under subsection (a) of this
12 Section must be carried back or carried forward in the same
13 manner for purposes of subsections (a) and (b) of Section 201
14 of this Act as for purposes of subsections (c) and (d) of
15 Section 201 of this Act.

16 (c) Notwithstanding any other provision of this Act, for
17 each taxable year ending on or after December 31, 2008, for
18 purposes of computing the loss for the taxable year under
19 subsection (a) of this Section and the deduction taken into
20 account for the taxable year for a net operating loss carryover
21 under paragraphs (1), (2), and (3) of subsection (a) of this
22 Section, the loss and net operating loss carryover shall be
23 reduced in an amount equal to the reduction to the net
24 operating loss and net operating loss carryover to the taxable
25 year, respectively, required under Section 108(b)(2)(A) of the
26 Internal Revenue Code, multiplied by a fraction, the numerator

1 of which is the amount of discharge of indebtedness income that
2 is excluded from gross income for the taxable year (but only if
3 the taxable year ends on or after December 31, 2008) under
4 Section 108(a) of the Internal Revenue Code and that would have
5 been allocated and apportioned to this State under Article 3 of
6 this Act but for that exclusion, and the denominator of which
7 is the total amount of discharge of indebtedness income
8 excluded from gross income under Section 108(a) of the Internal
9 Revenue Code for the taxable year. The reduction required under
10 this subsection (c) shall be made after the determination of
11 Illinois net income for the taxable year in which the
12 indebtedness is discharged.

13 (d) In the case of a corporation (other than a Subchapter S
14 corporation), no carryover deduction shall be allowed under
15 this Section for any taxable year ending after December 31,
16 2010 and prior to December 31, 2012, and no carryover deduction
17 shall exceed \$100,000 for any taxable year ending on or after
18 December 31, 2012 and prior to December 31, 2014; provided
19 that, for purposes of determining the taxable years to which a
20 net loss may be carried under subsection (a) of this Section,
21 no taxable year for which a deduction is disallowed under this
22 subsection, or for which the deduction would exceed \$100,000 if
23 not for this subsection, shall be counted.

24 (e) In the case of a residual interest holder in a real
25 estate mortgage investment conduit subject to Section 860E of
26 the Internal Revenue Code, the net loss in subsection (a) shall

1 be equal to:

2 (1) the amount computed under subsection (a), without
3 regard to this subsection (e), or if that amount is
4 positive, zero;

5 (2) minus an amount equal to the amount computed under
6 subsection (a), without regard to this subsection (e),
7 minus the amount that would be computed under subsection
8 (a) if the taxpayer's federal taxable income were computed
9 without regard to Section 860E of the Internal Revenue Code
10 and without regard to this subsection (e).

11 The modification in this subsection (e) is exempt from the
12 provisions of Section 250.

13 (Source: P.A. 96-1496, eff. 1-13-11; 97-507, eff. 8-23-11.)

14 (35 ILCS 5/250)

15 Sec. 250. Sunset of exemptions, credits, and deductions.

16 (a) The application of every exemption, credit, and
17 deduction against tax imposed by this Act that becomes law
18 after the effective date of this amendatory Act of 1994 shall
19 be limited by a reasonable and appropriate sunset date. A
20 taxpayer is not entitled to take the exemption, credit, or
21 deduction for tax years beginning on or after the sunset date.
22 Except as provided in subsection (b) of this Section, if ~~if~~ a
23 reasonable and appropriate sunset date is not specified in the
24 Public Act that creates the exemption, credit, or deduction, a
25 taxpayer shall not be entitled to take the exemption, credit,

1 or deduction for tax years beginning on or after 5 years after
2 the effective date of the Public Act creating the exemption,
3 credit, or deduction and thereafter; provided, however, that in
4 the case of any Public Act authorizing the issuance of
5 tax-exempt obligations that does not specify a sunset date for
6 the exemption or deduction of income derived from the
7 obligations, the exemption or deduction shall not terminate
8 until after the obligations have been paid by the issuer.

9 (b) Notwithstanding the provisions of subsection (a) of
10 this Section, the sunset date of any exemption, credit, or
11 deduction that is scheduled to expire in 2011, 2012, or 2013 by
12 operation of this Section shall be extended by 5 years.

13 (Source: P.A. 88-660, eff. 9-16-94; 89-460, eff. 5-24-96.)

14 (35 ILCS 5/304) (from Ch. 120, par. 3-304)

15 Sec. 304. Business income of persons other than residents.

16 (a) In general. The business income of a person other than
17 a resident shall be allocated to this State if such person's
18 business income is derived solely from this State. If a person
19 other than a resident derives business income from this State
20 and one or more other states, then, for tax years ending on or
21 before December 30, 1998, and except as otherwise provided by
22 this Section, such person's business income shall be
23 apportioned to this State by multiplying the income by a
24 fraction, the numerator of which is the sum of the property
25 factor (if any), the payroll factor (if any) and 200% of the

1 sales factor (if any), and the denominator of which is 4
2 reduced by the number of factors other than the sales factor
3 which have a denominator of zero and by an additional 2 if the
4 sales factor has a denominator of zero. For tax years ending on
5 or after December 31, 1998, and except as otherwise provided by
6 this Section, persons other than residents who derive business
7 income from this State and one or more other states shall
8 compute their apportionment factor by weighting their
9 property, payroll, and sales factors as provided in subsection
10 (h) of this Section.

11 (1) Property factor.

12 (A) The property factor is a fraction, the numerator of
13 which is the average value of the person's real and
14 tangible personal property owned or rented and used in the
15 trade or business in this State during the taxable year and
16 the denominator of which is the average value of all the
17 person's real and tangible personal property owned or
18 rented and used in the trade or business during the taxable
19 year.

20 (B) Property owned by the person is valued at its
21 original cost. Property rented by the person is valued at 8
22 times the net annual rental rate. Net annual rental rate is
23 the annual rental rate paid by the person less any annual
24 rental rate received by the person from sub-rentals.

25 (C) The average value of property shall be determined
26 by averaging the values at the beginning and ending of the

1 taxable year but the Director may require the averaging of
2 monthly values during the taxable year if reasonably
3 required to reflect properly the average value of the
4 person's property.

5 (2) Payroll factor.

6 (A) The payroll factor is a fraction, the numerator of
7 which is the total amount paid in this State during the
8 taxable year by the person for compensation, and the
9 denominator of which is the total compensation paid
10 everywhere during the taxable year.

11 (B) Compensation is paid in this State if:

12 (i) The individual's service is performed entirely
13 within this State;

14 (ii) The individual's service is performed both
15 within and without this State, but the service
16 performed without this State is incidental to the
17 individual's service performed within this State; or

18 (iii) Some of the service is performed within this
19 State and either the base of operations, or if there is
20 no base of operations, the place from which the service
21 is directed or controlled is within this State, or the
22 base of operations or the place from which the service
23 is directed or controlled is not in any state in which
24 some part of the service is performed, but the
25 individual's residence is in this State.

26 (iv) Compensation paid to nonresident professional

1 athletes.

2 (a) General. The Illinois source income of a
3 nonresident individual who is a member of a
4 professional athletic team includes the portion of the
5 individual's total compensation for services performed
6 as a member of a professional athletic team during the
7 taxable year which the number of duty days spent within
8 this State performing services for the team in any
9 manner during the taxable year bears to the total
10 number of duty days spent both within and without this
11 State during the taxable year.

12 (b) Travel days. Travel days that do not involve
13 either a game, practice, team meeting, or other similar
14 team event are not considered duty days spent in this
15 State. However, such travel days are considered in the
16 total duty days spent both within and without this
17 State.

18 (c) Definitions. For purposes of this subpart
19 (iv):

20 (1) The term "professional athletic team"
21 includes, but is not limited to, any professional
22 baseball, basketball, football, soccer, or hockey
23 team.

24 (2) The term "member of a professional
25 athletic team" includes those employees who are
26 active players, players on the disabled list, and

1 any other persons required to travel and who travel
2 with and perform services on behalf of a
3 professional athletic team on a regular basis.
4 This includes, but is not limited to, coaches,
5 managers, and trainers.

6 (3) Except as provided in items (C) and (D) of
7 this subpart (3), the term "duty days" means all
8 days during the taxable year from the beginning of
9 the professional athletic team's official
10 pre-season training period through the last game
11 in which the team competes or is scheduled to
12 compete. Duty days shall be counted for the year in
13 which they occur, including where a team's
14 official pre-season training period through the
15 last game in which the team competes or is
16 scheduled to compete, occurs during more than one
17 tax year.

18 (A) Duty days shall also include days on
19 which a member of a professional athletic team
20 performs service for a team on a date that does
21 not fall within the foregoing period (e.g.,
22 participation in instructional leagues, the
23 "All Star Game", or promotional "caravans").
24 Performing a service for a professional
25 athletic team includes conducting training and
26 rehabilitation activities, when such

1 activities are conducted at team facilities.

2 (B) Also included in duty days are game
3 days, practice days, days spent at team
4 meetings, promotional caravans, preseason
5 training camps, and days served with the team
6 through all post-season games in which the team
7 competes or is scheduled to compete.

8 (C) Duty days for any person who joins a
9 team during the period from the beginning of
10 the professional athletic team's official
11 pre-season training period through the last
12 game in which the team competes, or is
13 scheduled to compete, shall begin on the day
14 that person joins the team. Conversely, duty
15 days for any person who leaves a team during
16 this period shall end on the day that person
17 leaves the team. Where a person switches teams
18 during a taxable year, a separate duty-day
19 calculation shall be made for the period the
20 person was with each team.

21 (D) Days for which a member of a
22 professional athletic team is not compensated
23 and is not performing services for the team in
24 any manner, including days when such member of
25 a professional athletic team has been
26 suspended without pay and prohibited from

1 performing any services for the team, shall not
2 be treated as duty days.

3 (E) Days for which a member of a
4 professional athletic team is on the disabled
5 list and does not conduct rehabilitation
6 activities at facilities of the team, and is
7 not otherwise performing services for the team
8 in Illinois, shall not be considered duty days
9 spent in this State. All days on the disabled
10 list, however, are considered to be included in
11 total duty days spent both within and without
12 this State.

13 (4) The term "total compensation for services
14 performed as a member of a professional athletic
15 team" means the total compensation received during
16 the taxable year for services performed:

17 (A) from the beginning of the official
18 pre-season training period through the last
19 game in which the team competes or is scheduled
20 to compete during that taxable year; and

21 (B) during the taxable year on a date which
22 does not fall within the foregoing period
23 (e.g., participation in instructional leagues,
24 the "All Star Game", or promotional caravans).

25 This compensation shall include, but is not
26 limited to, salaries, wages, bonuses as described

1 in this subpart, and any other type of compensation
2 paid during the taxable year to a member of a
3 professional athletic team for services performed
4 in that year. This compensation does not include
5 strike benefits, severance pay, termination pay,
6 contract or option year buy-out payments,
7 expansion or relocation payments, or any other
8 payments not related to services performed for the
9 team.

10 For purposes of this subparagraph, "bonuses"
11 included in "total compensation for services
12 performed as a member of a professional athletic
13 team" subject to the allocation described in
14 Section 302(c)(1) are: bonuses earned as a result
15 of play (i.e., performance bonuses) during the
16 season, including bonuses paid for championship,
17 playoff or "bowl" games played by a team, or for
18 selection to all-star league or other honorary
19 positions; and bonuses paid for signing a
20 contract, unless the payment of the signing bonus
21 is not conditional upon the signee playing any
22 games for the team or performing any subsequent
23 services for the team or even making the team, the
24 signing bonus is payable separately from the
25 salary and any other compensation, and the signing
26 bonus is nonrefundable.

1 (3) Sales factor.

2 (A) The sales factor is a fraction, the numerator of
3 which is the total sales of the person in this State during
4 the taxable year, and the denominator of which is the total
5 sales of the person everywhere during the taxable year.

6 (B) Sales of tangible personal property are in this
7 State if:

8 (i) The property is delivered or shipped to a
9 purchaser, other than the United States government,
10 within this State regardless of the f. o. b. point or
11 other conditions of the sale; or

12 (ii) The property is shipped from an office, store,
13 warehouse, factory or other place of storage in this
14 State and either the purchaser is the United States
15 government or the person is not taxable in the state of
16 the purchaser; provided, however, that premises owned
17 or leased by a person who has independently contracted
18 with the seller for the printing of newspapers,
19 periodicals or books shall not be deemed to be an
20 office, store, warehouse, factory or other place of
21 storage for purposes of this Section. Sales of tangible
22 personal property are not in this State if the seller
23 and purchaser would be members of the same unitary
24 business group but for the fact that either the seller
25 or purchaser is a person with 80% or more of total
26 business activity outside of the United States and the

1 property is purchased for resale.

2 (B-1) Patents, copyrights, trademarks, and similar
3 items of intangible personal property.

4 (i) Gross receipts from the licensing, sale, or
5 other disposition of a patent, copyright, trademark,
6 or similar item of intangible personal property, other
7 than gross receipts governed by paragraph (B-7) of this
8 item (3), are in this State to the extent the item is
9 utilized in this State during the year the gross
10 receipts are included in gross income.

11 (ii) Place of utilization.

12 (I) A patent is utilized in a state to the
13 extent that it is employed in production,
14 fabrication, manufacturing, or other processing in
15 the state or to the extent that a patented product
16 is produced in the state. If a patent is utilized
17 in more than one state, the extent to which it is
18 utilized in any one state shall be a fraction equal
19 to the gross receipts of the licensee or purchaser
20 from sales or leases of items produced,
21 fabricated, manufactured, or processed within that
22 state using the patent and of patented items
23 produced within that state, divided by the total of
24 such gross receipts for all states in which the
25 patent is utilized.

26 (II) A copyright is utilized in a state to the

1 extent that printing or other publication
2 originates in the state. If a copyright is utilized
3 in more than one state, the extent to which it is
4 utilized in any one state shall be a fraction equal
5 to the gross receipts from sales or licenses of
6 materials printed or published in that state
7 divided by the total of such gross receipts for all
8 states in which the copyright is utilized.

9 (III) Trademarks and other items of intangible
10 personal property governed by this paragraph (B-1)
11 are utilized in the state in which the commercial
12 domicile of the licensee or purchaser is located.

13 (iii) If the state of utilization of an item of
14 property governed by this paragraph (B-1) cannot be
15 determined from the taxpayer's books and records or
16 from the books and records of any person related to the
17 taxpayer within the meaning of Section 267(b) of the
18 Internal Revenue Code, 26 U.S.C. 267, the gross
19 receipts attributable to that item shall be excluded
20 from both the numerator and the denominator of the
21 sales factor.

22 (B-2) Gross receipts from the license, sale, or other
23 disposition of patents, copyrights, trademarks, and
24 similar items of intangible personal property, other than
25 gross receipts governed by paragraph (B-7) of this item
26 (3), may be included in the numerator or denominator of the

1 sales factor only if gross receipts from licenses, sales,
2 or other disposition of such items comprise more than 50%
3 of the taxpayer's total gross receipts included in gross
4 income during the tax year and during each of the 2
5 immediately preceding tax years; provided that, when a
6 taxpayer is a member of a unitary business group, such
7 determination shall be made on the basis of the gross
8 receipts of the entire unitary business group.

9 (B-5) For taxable years ending on or after December 31,
10 2008, except as provided in subsections (ii) through (vii),
11 receipts from the sale of telecommunications service or
12 mobile telecommunications service are in this State if the
13 customer's service address is in this State.

14 (i) For purposes of this subparagraph (B-5), the
15 following terms have the following meanings:

16 "Ancillary services" means services that are
17 associated with or incidental to the provision of
18 "telecommunications services", including but not
19 limited to "detailed telecommunications billing",
20 "directory assistance", "vertical service", and "voice
21 mail services".

22 "Air-to-Ground Radiotelephone service" means a
23 radio service, as that term is defined in 47 CFR 22.99,
24 in which common carriers are authorized to offer and
25 provide radio telecommunications service for hire to
26 subscribers in aircraft.

1 "Call-by-call Basis" means any method of charging
2 for telecommunications services where the price is
3 measured by individual calls.

4 "Communications Channel" means a physical or
5 virtual path of communications over which signals are
6 transmitted between or among customer channel
7 termination points.

8 "Conference bridging service" means an "ancillary
9 service" that links two or more participants of an
10 audio or video conference call and may include the
11 provision of a telephone number. "Conference bridging
12 service" does not include the "telecommunications
13 services" used to reach the conference bridge.

14 "Customer Channel Termination Point" means the
15 location where the customer either inputs or receives
16 the communications.

17 "Detailed telecommunications billing service"
18 means an "ancillary service" of separately stating
19 information pertaining to individual calls on a
20 customer's billing statement.

21 "Directory assistance" means an "ancillary
22 service" of providing telephone number information,
23 and/or address information.

24 "Home service provider" means the facilities based
25 carrier or reseller with which the customer contracts
26 for the provision of mobile telecommunications

1 services.

2 "Mobile telecommunications service" means
3 commercial mobile radio service, as defined in Section
4 20.3 of Title 47 of the Code of Federal Regulations as
5 in effect on June 1, 1999.

6 "Place of primary use" means the street address
7 representative of where the customer's use of the
8 telecommunications service primarily occurs, which
9 must be the residential street address or the primary
10 business street address of the customer. In the case of
11 mobile telecommunications services, "place of primary
12 use" must be within the licensed service area of the
13 home service provider.

14 "Post-paid telecommunication service" means the
15 telecommunications service obtained by making a
16 payment on a call-by-call basis either through the use
17 of a credit card or payment mechanism such as a bank
18 card, travel card, credit card, or debit card, or by
19 charge made to a telephone number which is not
20 associated with the origination or termination of the
21 telecommunications service. A post-paid calling
22 service includes telecommunications service, except a
23 prepaid wireless calling service, that would be a
24 prepaid calling service except it is not exclusively a
25 telecommunication service.

26 "Prepaid telecommunication service" means the

1 right to access exclusively telecommunications
2 services, which must be paid for in advance and which
3 enables the origination of calls using an access number
4 or authorization code, whether manually or
5 electronically dialed, and that is sold in
6 predetermined units or dollars of which the number
7 declines with use in a known amount.

8 "Prepaid Mobile telecommunication service" means a
9 telecommunications service that provides the right to
10 utilize mobile wireless service as well as other
11 non-telecommunication services, including but not
12 limited to ancillary services, which must be paid for
13 in advance that is sold in predetermined units or
14 dollars of which the number declines with use in a
15 known amount.

16 "Private communication service" means a
17 telecommunication service that entitles the customer
18 to exclusive or priority use of a communications
19 channel or group of channels between or among
20 termination points, regardless of the manner in which
21 such channel or channels are connected, and includes
22 switching capacity, extension lines, stations, and any
23 other associated services that are provided in
24 connection with the use of such channel or channels.

25 "Service address" means:

26 (a) The location of the telecommunications

1 equipment to which a customer's call is charged and
2 from which the call originates or terminates,
3 regardless of where the call is billed or paid;

4 (b) If the location in line (a) is not known,
5 service address means the origination point of the
6 signal of the telecommunications services first
7 identified by either the seller's
8 telecommunications system or in information
9 received by the seller from its service provider
10 where the system used to transport such signals is
11 not that of the seller; and

12 (c) If the locations in line (a) and line (b)
13 are not known, the service address means the
14 location of the customer's place of primary use.

15 "Telecommunications service" means the electronic
16 transmission, conveyance, or routing of voice, data,
17 audio, video, or any other information or signals to a
18 point, or between or among points. The term
19 "telecommunications service" includes such
20 transmission, conveyance, or routing in which computer
21 processing applications are used to act on the form,
22 code or protocol of the content for purposes of
23 transmission, conveyance or routing without regard to
24 whether such service is referred to as voice over
25 Internet protocol services or is classified by the
26 Federal Communications Commission as enhanced or value

1 added. "Telecommunications service" does not include:

2 (a) Data processing and information services
3 that allow data to be generated, acquired, stored,
4 processed, or retrieved and delivered by an
5 electronic transmission to a purchaser when such
6 purchaser's primary purpose for the underlying
7 transaction is the processed data or information;

8 (b) Installation or maintenance of wiring or
9 equipment on a customer's premises;

10 (c) Tangible personal property;

11 (d) Advertising, including but not limited to
12 directory advertising.

13 (e) Billing and collection services provided
14 to third parties;

15 (f) Internet access service;

16 (g) Radio and television audio and video
17 programming services, regardless of the medium,
18 including the furnishing of transmission,
19 conveyance and routing of such services by the
20 programming service provider. Radio and television
21 audio and video programming services shall include
22 but not be limited to cable service as defined in
23 47 USC 522(6) and audio and video programming
24 services delivered by commercial mobile radio
25 service providers, as defined in 47 CFR 20.3;

26 (h) "Ancillary services"; or

1 (i) Digital products "delivered
2 electronically", including but not limited to
3 software, music, video, reading materials or ring
4 tones.

5 "Vertical service" means an "ancillary service"
6 that is offered in connection with one or more
7 "telecommunications services", which offers advanced
8 calling features that allow customers to identify
9 callers and to manage multiple calls and call
10 connections, including "conference bridging services".

11 "Voice mail service" means an "ancillary service"
12 that enables the customer to store, send or receive
13 recorded messages. "Voice mail service" does not
14 include any "vertical services" that the customer may
15 be required to have in order to utilize the "voice mail
16 service".

17 (ii) Receipts from the sale of telecommunications
18 service sold on an individual call-by-call basis are in
19 this State if either of the following applies:

20 (a) The call both originates and terminates in
21 this State.

22 (b) The call either originates or terminates
23 in this State and the service address is located in
24 this State.

25 (iii) Receipts from the sale of postpaid
26 telecommunications service at retail are in this State

1 if the origination point of the telecommunication
2 signal, as first identified by the service provider's
3 telecommunication system or as identified by
4 information received by the seller from its service
5 provider if the system used to transport
6 telecommunication signals is not the seller's, is
7 located in this State.

8 (iv) Receipts from the sale of prepaid
9 telecommunications service or prepaid mobile
10 telecommunications service at retail are in this State
11 if the purchaser obtains the prepaid card or similar
12 means of conveyance at a location in this State.
13 Receipts from recharging a prepaid telecommunications
14 service or mobile telecommunications service is in
15 this State if the purchaser's billing information
16 indicates a location in this State.

17 (v) Receipts from the sale of private
18 communication services are in this State as follows:

19 (a) 100% of receipts from charges imposed at
20 each channel termination point in this State.

21 (b) 100% of receipts from charges for the total
22 channel mileage between each channel termination
23 point in this State.

24 (c) 50% of the total receipts from charges for
25 service segments when those segments are between 2
26 customer channel termination points, 1 of which is

1 located in this State and the other is located
2 outside of this State, which segments are
3 separately charged.

4 (d) The receipts from charges for service
5 segments with a channel termination point located
6 in this State and in two or more other states, and
7 which segments are not separately billed, are in
8 this State based on a percentage determined by
9 dividing the number of customer channel
10 termination points in this State by the total
11 number of customer channel termination points.

12 (vi) Receipts from charges for ancillary services
13 for telecommunications service sold to customers at
14 retail are in this State if the customer's primary
15 place of use of telecommunications services associated
16 with those ancillary services is in this State. If the
17 seller of those ancillary services cannot determine
18 where the associated telecommunications are located,
19 then the ancillary services shall be based on the
20 location of the purchaser.

21 (vii) Receipts to access a carrier's network or
22 from the sale of telecommunication services or
23 ancillary services for resale are in this State as
24 follows:

25 (a) 100% of the receipts from access fees
26 attributable to intrastate telecommunications

1 service that both originates and terminates in
2 this State.

3 (b) 50% of the receipts from access fees
4 attributable to interstate telecommunications
5 service if the interstate call either originates
6 or terminates in this State.

7 (c) 100% of the receipts from interstate end
8 user access line charges, if the customer's
9 service address is in this State. As used in this
10 subdivision, "interstate end user access line
11 charges" includes, but is not limited to, the
12 surcharge approved by the federal communications
13 commission and levied pursuant to 47 CFR 69.

14 (d) Gross receipts from sales of
15 telecommunication services or from ancillary
16 services for telecommunications services sold to
17 other telecommunication service providers for
18 resale shall be sourced to this State using the
19 apportionment concepts used for non-resale
20 receipts of telecommunications services if the
21 information is readily available to make that
22 determination. If the information is not readily
23 available, then the taxpayer may use any other
24 reasonable and consistent method.

25 (B-7) For taxable years ending on or after December 31,
26 2008, receipts from the sale of broadcasting services are

1 in this State if the broadcasting services are received in
2 this State. For purposes of this paragraph (B-7), the
3 following terms have the following meanings:

4 "Advertising revenue" means consideration received
5 by the taxpayer in exchange for broadcasting services
6 or allowing the broadcasting of commercials or
7 announcements in connection with the broadcasting of
8 film or radio programming, from sponsorships of the
9 programming, or from product placements in the
10 programming.

11 "Audience factor" means the ratio that the
12 audience or subscribers located in this State of a
13 station, a network, or a cable system bears to the
14 total audience or total subscribers for that station,
15 network, or cable system. The audience factor for film
16 or radio programming shall be determined by reference
17 to the books and records of the taxpayer or by
18 reference to published rating statistics provided the
19 method used by the taxpayer is consistently used from
20 year to year for this purpose and fairly represents the
21 taxpayer's activity in this State.

22 "Broadcast" or "broadcasting" or "broadcasting
23 services" means the transmission or provision of film
24 or radio programming, whether through the public
25 airwaves, by cable, by direct or indirect satellite
26 transmission, or by any other means of communication,

1 either through a station, a network, or a cable system.

2 "Film" or "film programming" means the broadcast
3 on television of any and all performances, events, or
4 productions, including but not limited to news,
5 sporting events, plays, stories, or other literary,
6 commercial, educational, or artistic works, either
7 live or through the use of video tape, disc, or any
8 other type of format or medium. Each episode of a
9 series of films produced for television shall
10 constitute separate "film" notwithstanding that the
11 series relates to the same principal subject and is
12 produced during one or more tax periods.

13 "Radio" or "radio programming" means the broadcast
14 on radio of any and all performances, events, or
15 productions, including but not limited to news,
16 sporting events, plays, stories, or other literary,
17 commercial, educational, or artistic works, either
18 live or through the use of an audio tape, disc, or any
19 other format or medium. Each episode in a series of
20 radio programming produced for radio broadcast shall
21 constitute a separate "radio programming"
22 notwithstanding that the series relates to the same
23 principal subject and is produced during one or more
24 tax periods.

25 (i) In the case of advertising revenue from
26 broadcasting, the customer is the advertiser and

1 the service is received in this State if the
2 commercial domicile of the advertiser is in this
3 State.

4 (ii) In the case where film or radio
5 programming is broadcast by a station, a network,
6 or a cable system for a fee or other remuneration
7 received from the recipient of the broadcast, the
8 portion of the service that is received in this
9 State is measured by the portion of the recipients
10 of the broadcast located in this State.
11 Accordingly, the fee or other remuneration for
12 such service that is included in the Illinois
13 numerator of the sales factor is the total of those
14 fees or other remuneration received from
15 recipients in Illinois. For purposes of this
16 paragraph, a taxpayer may determine the location
17 of the recipients of its broadcast using the
18 address of the recipient shown in its contracts
19 with the recipient or using the billing address of
20 the recipient in the taxpayer's records.

21 (iii) In the case where film or radio
22 programming is broadcast by a station, a network,
23 or a cable system for a fee or other remuneration
24 from the person providing the programming, the
25 portion of the broadcast service that is received
26 by such station, network, or cable system in this

1 State is measured by the portion of recipients of
2 the broadcast located in this State. Accordingly,
3 the amount of revenue related to such an
4 arrangement that is included in the Illinois
5 numerator of the sales factor is the total fee or
6 other total remuneration from the person providing
7 the programming related to that broadcast
8 multiplied by the Illinois audience factor for
9 that broadcast.

10 (iv) In the case where film or radio
11 programming is provided by a taxpayer that is a
12 network or station to a customer for broadcast in
13 exchange for a fee or other remuneration from that
14 customer the broadcasting service is received at
15 the location of the office of the customer from
16 which the services were ordered in the regular
17 course of the customer's trade or business.
18 Accordingly, in such a case the revenue derived by
19 the taxpayer that is included in the taxpayer's
20 Illinois numerator of the sales factor is the
21 revenue from such customers who receive the
22 broadcasting service in Illinois.

23 (v) In the case where film or radio programming
24 is provided by a taxpayer that is not a network or
25 station to another person for broadcasting in
26 exchange for a fee or other remuneration from that

1 person, the broadcasting service is received at
2 the location of the office of the customer from
3 which the services were ordered in the regular
4 course of the customer's trade or business.
5 Accordingly, in such a case the revenue derived by
6 the taxpayer that is included in the taxpayer's
7 Illinois numerator of the sales factor is the
8 revenue from such customers who receive the
9 broadcasting service in Illinois.

10 (C) For taxable years ending before December 31, 2008,
11 sales, other than sales governed by paragraphs (B), (B-1),
12 and (B-2), are in this State if:

13 (i) The income-producing activity is performed in
14 this State; or

15 (ii) The income-producing activity is performed
16 both within and without this State and a greater
17 proportion of the income-producing activity is
18 performed within this State than without this State,
19 based on performance costs.

20 (C-5) For taxable years ending on or after December 31,
21 2008, sales, other than sales governed by paragraphs (B),
22 (B-1), (B-2), (B-5), and (B-7), are in this State if any of
23 the following criteria are met:

24 (i) Sales from the sale or lease of real property
25 are in this State if the property is located in this
26 State.

1 (ii) Sales from the lease or rental of tangible
2 personal property are in this State if the property is
3 located in this State during the rental period. Sales
4 from the lease or rental of tangible personal property
5 that is characteristically moving property, including,
6 but not limited to, motor vehicles, rolling stock,
7 aircraft, vessels, or mobile equipment are in this
8 State to the extent that the property is used in this
9 State.

10 (iii) In the case of interest, net gains (but not
11 less than zero) and other items of income from
12 intangible personal property, the sale is in this State
13 if:

14 (a) in the case of a taxpayer who is a dealer
15 in the item of intangible personal property within
16 the meaning of Section 475 of the Internal Revenue
17 Code, the income or gain is received from a
18 customer in this State. For purposes of this
19 subparagraph, a customer is in this State if the
20 customer is an individual, trust or estate who is a
21 resident of this State and, for all other
22 customers, if the customer's commercial domicile
23 is in this State. Unless the dealer has actual
24 knowledge of the residence or commercial domicile
25 of a customer during a taxable year, the customer
26 shall be deemed to be a customer in this State if

1 the billing address of the customer, as shown in
2 the records of the dealer, is in this State; or

3 (b) in all other cases, if the
4 income-producing activity of the taxpayer is
5 performed in this State or, if the
6 income-producing activity of the taxpayer is
7 performed both within and without this State, if a
8 greater proportion of the income-producing
9 activity of the taxpayer is performed within this
10 State than in any other state, based on performance
11 costs.

12 (iv) Sales of services are in this State if the
13 services are received in this State. For the purposes
14 of this section, gross receipts from the performance of
15 services provided to a corporation, partnership, or
16 trust may only be attributed to a state where that
17 corporation, partnership, or trust has a fixed place of
18 business. If the state where the services are received
19 is not readily determinable or is a state where the
20 corporation, partnership, or trust receiving the
21 service does not have a fixed place of business, the
22 services shall be deemed to be received at the location
23 of the office of the customer from which the services
24 were ordered in the regular course of the customer's
25 trade or business. If the ordering office cannot be
26 determined, the services shall be deemed to be received

1 at the office of the customer to which the services are
2 billed. If the taxpayer is not taxable in the state in
3 which the services are received, the sale must be
4 excluded from both the numerator and the denominator of
5 the sales factor. The Department shall adopt rules
6 prescribing where specific types of service are
7 received, including, but not limited to, publishing,
8 and utility service.

9 (D) For taxable years ending on or after December 31,
10 1995, the following items of income shall not be included
11 in the numerator or denominator of the sales factor:
12 dividends; amounts included under Section 78 of the
13 Internal Revenue Code; and Subpart F income as defined in
14 Section 952 of the Internal Revenue Code. No inference
15 shall be drawn from the enactment of this paragraph (D) in
16 construing this Section for taxable years ending before
17 December 31, 1995.

18 (E) Paragraphs (B-1) and (B-2) shall apply to tax years
19 ending on or after December 31, 1999, provided that a
20 taxpayer may elect to apply the provisions of these
21 paragraphs to prior tax years. Such election shall be made
22 in the form and manner prescribed by the Department, shall
23 be irrevocable, and shall apply to all tax years; provided
24 that, if a taxpayer's Illinois income tax liability for any
25 tax year, as assessed under Section 903 prior to January 1,
26 1999, was computed in a manner contrary to the provisions

1 of paragraphs (B-1) or (B-2), no refund shall be payable to
2 the taxpayer for that tax year to the extent such refund is
3 the result of applying the provisions of paragraph (B-1) or
4 (B-2) retroactively. In the case of a unitary business
5 group, such election shall apply to all members of such
6 group for every tax year such group is in existence, but
7 shall not apply to any taxpayer for any period during which
8 that taxpayer is not a member of such group.

9 (b) Insurance companies.

10 (1) In general. Except as otherwise provided by
11 paragraph (2), business income of an insurance company for
12 a taxable year shall be apportioned to this State by
13 multiplying such income by a fraction, the numerator of
14 which is the direct premiums written for insurance upon
15 property or risk in this State, and the denominator of
16 which is the direct premiums written for insurance upon
17 property or risk everywhere. For purposes of this
18 subsection, the term "direct premiums written" means the
19 total amount of direct premiums written, assessments and
20 annuity considerations as reported for the taxable year on
21 the annual statement filed by the company with the Illinois
22 Director of Insurance in the form approved by the National
23 Convention of Insurance Commissioners or such other form as
24 may be prescribed in lieu thereof.

25 (2) Reinsurance. If the principal source of premiums
26 written by an insurance company consists of premiums for

1 reinsurance accepted by it, the business income of such
2 company shall be apportioned to this State by multiplying
3 such income by a fraction, the numerator of which is the
4 sum of (i) direct premiums written for insurance upon
5 property or risk in this State, plus (ii) premiums written
6 for reinsurance accepted in respect of property or risk in
7 this State, and the denominator of which is the sum of
8 (iii) direct premiums written for insurance upon property
9 or risk everywhere, plus (iv) premiums written for
10 reinsurance accepted in respect of property or risk
11 everywhere. For purposes of this paragraph, premiums
12 written for reinsurance accepted in respect of property or
13 risk in this State, whether or not otherwise determinable,
14 may, at the election of the company, be determined on the
15 basis of the proportion which premiums written for
16 reinsurance accepted from companies commercially domiciled
17 in Illinois bears to premiums written for reinsurance
18 accepted from all sources, or, alternatively, in the
19 proportion which the sum of the direct premiums written for
20 insurance upon property or risk in this State by each
21 ceding company from which reinsurance is accepted bears to
22 the sum of the total direct premiums written by each such
23 ceding company for the taxable year. The election made by a
24 company under this paragraph for its first taxable year
25 ending on or after December 31, 2011, shall be binding for
26 that company for that taxable year and for all subsequent

1 taxable years, and may be altered only with the written
2 permission of the Department, which shall not be
3 unreasonably withheld.

4 (c) Financial organizations.

5 (1) In general. For taxable years ending before
6 December 31, 2008, business income of a financial
7 organization shall be apportioned to this State by
8 multiplying such income by a fraction, the numerator of
9 which is its business income from sources within this
10 State, and the denominator of which is its business income
11 from all sources. For the purposes of this subsection, the
12 business income of a financial organization from sources
13 within this State is the sum of the amounts referred to in
14 subparagraphs (A) through (E) following, but excluding the
15 adjusted income of an international banking facility as
16 determined in paragraph (2):

17 (A) Fees, commissions or other compensation for
18 financial services rendered within this State;

19 (B) Gross profits from trading in stocks, bonds or
20 other securities managed within this State;

21 (C) Dividends, and interest from Illinois
22 customers, which are received within this State;

23 (D) Interest charged to customers at places of
24 business maintained within this State for carrying
25 debit balances of margin accounts, without deduction
26 of any costs incurred in carrying such accounts; and

1 (E) Any other gross income resulting from the
2 operation as a financial organization within this
3 State. In computing the amounts referred to in
4 paragraphs (A) through (E) of this subsection, any
5 amount received by a member of an affiliated group
6 (determined under Section 1504(a) of the Internal
7 Revenue Code but without reference to whether any such
8 corporation is an "includible corporation" under
9 Section 1504(b) of the Internal Revenue Code) from
10 another member of such group shall be included only to
11 the extent such amount exceeds expenses of the
12 recipient directly related thereto.

13 (2) International Banking Facility. For taxable years
14 ending before December 31, 2008:

15 (A) Adjusted Income. The adjusted income of an
16 international banking facility is its income reduced
17 by the amount of the floor amount.

18 (B) Floor Amount. The floor amount shall be the
19 amount, if any, determined by multiplying the income of
20 the international banking facility by a fraction, not
21 greater than one, which is determined as follows:

22 (i) The numerator shall be:

23 The average aggregate, determined on a
24 quarterly basis, of the financial organization's
25 loans to banks in foreign countries, to foreign
26 domiciled borrowers (except where secured

1 primarily by real estate) and to foreign
2 governments and other foreign official
3 institutions, as reported for its branches,
4 agencies and offices within the state on its
5 "Consolidated Report of Condition", Schedule A,
6 Lines 2.c., 5.b., and 7.a., which was filed with
7 the Federal Deposit Insurance Corporation and
8 other regulatory authorities, for the year 1980,
9 minus

10 The average aggregate, determined on a
11 quarterly basis, of such loans (other than loans of
12 an international banking facility), as reported by
13 the financial institution for its branches,
14 agencies and offices within the state, on the
15 corresponding Schedule and lines of the
16 Consolidated Report of Condition for the current
17 taxable year, provided, however, that in no case
18 shall the amount determined in this clause (the
19 subtrahend) exceed the amount determined in the
20 preceding clause (the minuend); and

21 (ii) the denominator shall be the average
22 aggregate, determined on a quarterly basis, of the
23 international banking facility's loans to banks in
24 foreign countries, to foreign domiciled borrowers
25 (except where secured primarily by real estate)
26 and to foreign governments and other foreign

1 official institutions, which were recorded in its
2 financial accounts for the current taxable year.

3 (C) Change to Consolidated Report of Condition and
4 in Qualification. In the event the Consolidated Report
5 of Condition which is filed with the Federal Deposit
6 Insurance Corporation and other regulatory authorities
7 is altered so that the information required for
8 determining the floor amount is not found on Schedule
9 A, lines 2.c., 5.b. and 7.a., the financial institution
10 shall notify the Department and the Department may, by
11 regulations or otherwise, prescribe or authorize the
12 use of an alternative source for such information. The
13 financial institution shall also notify the Department
14 should its international banking facility fail to
15 qualify as such, in whole or in part, or should there
16 be any amendment or change to the Consolidated Report
17 of Condition, as originally filed, to the extent such
18 amendment or change alters the information used in
19 determining the floor amount.

20 (3) For taxable years ending on or after December 31,
21 2008, the business income of a financial organization shall
22 be apportioned to this State by multiplying such income by
23 a fraction, the numerator of which is its gross receipts
24 from sources in this State or otherwise attributable to
25 this State's marketplace and the denominator of which is
26 its gross receipts everywhere during the taxable year.

1 "Gross receipts" for purposes of this subparagraph (3)
2 means gross income, including net taxable gain on
3 disposition of assets, including securities and money
4 market instruments, when derived from transactions and
5 activities in the regular course of the financial
6 organization's trade or business. The following examples
7 are illustrative:

8 (i) Receipts from the lease or rental of real or
9 tangible personal property are in this State if the
10 property is located in this State during the rental
11 period. Receipts from the lease or rental of tangible
12 personal property that is characteristically moving
13 property, including, but not limited to, motor
14 vehicles, rolling stock, aircraft, vessels, or mobile
15 equipment are from sources in this State to the extent
16 that the property is used in this State.

17 (ii) Interest income, commissions, fees, gains on
18 disposition, and other receipts from assets in the
19 nature of loans that are secured primarily by real
20 estate or tangible personal property are from sources
21 in this State if the security is located in this State.

22 (iii) Interest income, commissions, fees, gains on
23 disposition, and other receipts from consumer loans
24 that are not secured by real or tangible personal
25 property are from sources in this State if the debtor
26 is a resident of this State.

1 (iv) Interest income, commissions, fees, gains on
2 disposition, and other receipts from commercial loans
3 and installment obligations that are not secured by
4 real or tangible personal property are from sources in
5 this State if the proceeds of the loan are to be
6 applied in this State. If it cannot be determined where
7 the funds are to be applied, the income and receipts
8 are from sources in this State if the office of the
9 borrower from which the loan was negotiated in the
10 regular course of business is located in this State. If
11 the location of this office cannot be determined, the
12 income and receipts shall be excluded from the
13 numerator and denominator of the sales factor.

14 (v) Interest income, fees, gains on disposition,
15 service charges, merchant discount income, and other
16 receipts from credit card receivables are from sources
17 in this State if the card charges are regularly billed
18 to a customer in this State.

19 (vi) Receipts from the performance of services,
20 including, but not limited to, fiduciary, advisory,
21 and brokerage services, are in this State if the
22 services are received in this State within the meaning
23 of subparagraph (a) (3) (C-5) (iv) of this Section.

24 (vii) Receipts from the issuance of travelers
25 checks and money orders are from sources in this State
26 if the checks and money orders are issued from a

1 location within this State.

2 (viii) Receipts from investment assets and
3 activities and trading assets and activities are
4 included in the receipts factor as follows:

5 (1) Interest, dividends, net gains (but not
6 less than zero) and other income from investment
7 assets and activities from trading assets and
8 activities shall be included in the receipts
9 factor. Investment assets and activities and
10 trading assets and activities include but are not
11 limited to: investment securities; trading account
12 assets; federal funds; securities purchased and
13 sold under agreements to resell or repurchase;
14 options; futures contracts; forward contracts;
15 notional principal contracts such as swaps;
16 equities; and foreign currency transactions. With
17 respect to the investment and trading assets and
18 activities described in subparagraphs (A) and (B)
19 of this paragraph, the receipts factor shall
20 include the amounts described in such
21 subparagraphs.

22 (A) The receipts factor shall include the
23 amount by which interest from federal funds
24 sold and securities purchased under resale
25 agreements exceeds interest expense on federal
26 funds purchased and securities sold under

1 repurchase agreements.

2 (B) The receipts factor shall include the
3 amount by which interest, dividends, gains and
4 other income from trading assets and
5 activities, including but not limited to
6 assets and activities in the matched book, in
7 the arbitrage book, and foreign currency
8 transactions, exceed amounts paid in lieu of
9 interest, amounts paid in lieu of dividends,
10 and losses from such assets and activities.

11 (2) The numerator of the receipts factor
12 includes interest, dividends, net gains (but not
13 less than zero), and other income from investment
14 assets and activities and from trading assets and
15 activities described in paragraph (1) of this
16 subsection that are attributable to this State.

17 (A) The amount of interest, dividends, net
18 gains (but not less than zero), and other
19 income from investment assets and activities
20 in the investment account to be attributed to
21 this State and included in the numerator is
22 determined by multiplying all such income from
23 such assets and activities by a fraction, the
24 numerator of which is the gross income from
25 such assets and activities which are properly
26 assigned to a fixed place of business of the

1 taxpayer within this State and the denominator
2 of which is the gross income from all such
3 assets and activities.

4 (B) The amount of interest from federal
5 funds sold and purchased and from securities
6 purchased under resale agreements and
7 securities sold under repurchase agreements
8 attributable to this State and included in the
9 numerator is determined by multiplying the
10 amount described in subparagraph (A) of
11 paragraph (1) of this subsection from such
12 funds and such securities by a fraction, the
13 numerator of which is the gross income from
14 such funds and such securities which are
15 properly assigned to a fixed place of business
16 of the taxpayer within this State and the
17 denominator of which is the gross income from
18 all such funds and such securities.

19 (C) The amount of interest, dividends,
20 gains, and other income from trading assets and
21 activities, including but not limited to
22 assets and activities in the matched book, in
23 the arbitrage book and foreign currency
24 transactions (but excluding amounts described
25 in subparagraphs (A) or (B) of this paragraph),
26 attributable to this State and included in the

1 numerator is determined by multiplying the
2 amount described in subparagraph (B) of
3 paragraph (1) of this subsection by a fraction,
4 the numerator of which is the gross income from
5 such trading assets and activities which are
6 properly assigned to a fixed place of business
7 of the taxpayer within this State and the
8 denominator of which is the gross income from
9 all such assets and activities.

10 (D) Properly assigned, for purposes of
11 this paragraph (2) of this subsection, means
12 the investment or trading asset or activity is
13 assigned to the fixed place of business with
14 which it has a preponderance of substantive
15 contacts. An investment or trading asset or
16 activity assigned by the taxpayer to a fixed
17 place of business without the State shall be
18 presumed to have been properly assigned if:

19 (i) the taxpayer has assigned, in the
20 regular course of its business, such asset
21 or activity on its records to a fixed place
22 of business consistent with federal or
23 state regulatory requirements;

24 (ii) such assignment on its records is
25 based upon substantive contacts of the
26 asset or activity to such fixed place of

1 business; and

2 (iii) the taxpayer uses such records
3 reflecting assignment of such assets or
4 activities for the filing of all state and
5 local tax returns for which an assignment
6 of such assets or activities to a fixed
7 place of business is required.

8 (E) The presumption of proper assignment
9 of an investment or trading asset or activity
10 provided in subparagraph (D) of paragraph (2)
11 of this subsection may be rebutted upon a
12 showing by the Department, supported by a
13 preponderance of the evidence, that the
14 preponderance of substantive contacts
15 regarding such asset or activity did not occur
16 at the fixed place of business to which it was
17 assigned on the taxpayer's records. If the
18 fixed place of business that has a
19 preponderance of substantive contacts cannot
20 be determined for an investment or trading
21 asset or activity to which the presumption in
22 subparagraph (D) of paragraph (2) of this
23 subsection does not apply or with respect to
24 which that presumption has been rebutted, that
25 asset or activity is properly assigned to the
26 state in which the taxpayer's commercial

1 domicile is located. For purposes of this
2 subparagraph (E), it shall be presumed,
3 subject to rebuttal, that taxpayer's
4 commercial domicile is in the state of the
5 United States or the District of Columbia to
6 which the greatest number of employees are
7 regularly connected with the management of the
8 investment or trading income or out of which
9 they are working, irrespective of where the
10 services of such employees are performed, as of
11 the last day of the taxable year.

12 (4) (Blank).

13 (5) (Blank).

14 (c-1) Federally regulated exchanges. For taxable years
15 ending on or after December 31, 2012, business income of a
16 federally regulated exchange shall, at the option of the
17 federally regulated exchange, be apportioned to this State by
18 multiplying such income by a fraction, the numerator of which
19 is its business income from sources within this State, and the
20 denominator of which is its business income from all sources.
21 For purposes of this subsection, the business income within
22 this State of a federally regulated exchange is the sum of the
23 following:

24 (1) Receipts attributable to transactions executed on
25 a physical trading floor if that physical trading floor is
26 located in this State.

1 (2) Receipts attributable to all other matching,
2 execution, or clearing transactions, including without
3 limitation receipts from the provision of matching,
4 execution, or clearing services to another entity,
5 multiplied by (i) for taxable years ending on or after
6 December 31, 2012 but before December 31, 2013, 63.77%; and
7 (ii) for taxable years ending on or after December 31,
8 2013, 27.54%.

9 (3) All other receipts not governed by subparagraphs
10 (1) or (2) of this subsection (c-1), to the extent the
11 receipts would be characterized as "sales in this State"
12 under item (3) of subsection (a) of this Section.

13 "Federally regulated exchange" means (i) a "registered
14 entity" within the meaning of 7 U.S.C. Section 1a(40) (A), (B),
15 or (C), (ii) an "exchange" or "clearing agency" within the
16 meaning of 15 U.S.C. Section 78c (a) (1) or (23), (iii) any such
17 entities regulated under any successor regulatory structure to
18 the foregoing, and (iv) all taxpayers who are members of the
19 same unitary business group as a federally regulated exchange,
20 determined without regard to the prohibition in Section
21 1501(a) (27) of this Act against including in a unitary business
22 group taxpayers who are ordinarily required to apportion
23 business income under different subsections of this Section;
24 provided that this subparagraph (iv) shall apply only if 50% or
25 more of the business receipts of the unitary business group
26 determined by application of this subparagraph (iv) for the

1 taxable year are attributable to the matching, execution, or
2 clearing of transactions conducted by an entity described in
3 subparagraph (i), (ii), or (iii) of this paragraph.

4 In no event shall the Illinois apportionment percentage
5 computed in accordance with this subsection (c-1) for any
6 taxpayer for any tax year be less than the Illinois
7 apportionment percentage computed under this subsection (c-1)
8 for that taxpayer for the first full tax year ending on or
9 after December 31, 2013 for which this subsection (c-1) applied
10 to the taxpayer.

11 (d) Transportation services. For taxable years ending
12 before December 31, 2008, business income derived from
13 furnishing transportation services shall be apportioned to
14 this State in accordance with paragraphs (1) and (2):

15 (1) Such business income (other than that derived from
16 transportation by pipeline) shall be apportioned to this
17 State by multiplying such income by a fraction, the
18 numerator of which is the revenue miles of the person in
19 this State, and the denominator of which is the revenue
20 miles of the person everywhere. For purposes of this
21 paragraph, a revenue mile is the transportation of 1
22 passenger or 1 net ton of freight the distance of 1 mile
23 for a consideration. Where a person is engaged in the
24 transportation of both passengers and freight, the
25 fraction above referred to shall be determined by means of
26 an average of the passenger revenue mile fraction and the

1 freight revenue mile fraction, weighted to reflect the
2 person's

3 (A) relative railway operating income from total
4 passenger and total freight service, as reported to the
5 Interstate Commerce Commission, in the case of
6 transportation by railroad, and

7 (B) relative gross receipts from passenger and
8 freight transportation, in case of transportation
9 other than by railroad.

10 (2) Such business income derived from transportation
11 by pipeline shall be apportioned to this State by
12 multiplying such income by a fraction, the numerator of
13 which is the revenue miles of the person in this State, and
14 the denominator of which is the revenue miles of the person
15 everywhere. For the purposes of this paragraph, a revenue
16 mile is the transportation by pipeline of 1 barrel of oil,
17 1,000 cubic feet of gas, or of any specified quantity of
18 any other substance, the distance of 1 mile for a
19 consideration.

20 (3) For taxable years ending on or after December 31,
21 2008, business income derived from providing
22 transportation services other than airline services shall
23 be apportioned to this State by using a fraction, (a) the
24 numerator of which shall be (i) all receipts from any
25 movement or shipment of people, goods, mail, oil, gas, or
26 any other substance (other than by airline) that both

1 originates and terminates in this State, plus (ii) that
2 portion of the person's gross receipts from movements or
3 shipments of people, goods, mail, oil, gas, or any other
4 substance (other than by airline) that originates in one
5 state or jurisdiction and terminates in another state or
6 jurisdiction, that is determined by the ratio that the
7 miles traveled in this State bears to total miles
8 everywhere and (b) the denominator of which shall be all
9 revenue derived from the movement or shipment of people,
10 goods, mail, oil, gas, or any other substance (other than
11 by airline). Where a taxpayer is engaged in the
12 transportation of both passengers and freight, the
13 fraction above referred to shall first be determined
14 separately for passenger miles and freight miles. Then an
15 average of the passenger miles fraction and the freight
16 miles fraction shall be weighted to reflect the taxpayer's:

17 (A) relative railway operating income from total
18 passenger and total freight service, as reported to the
19 Surface Transportation Board, in the case of
20 transportation by railroad; and

21 (B) relative gross receipts from passenger and
22 freight transportation, in case of transportation
23 other than by railroad.

24 (4) For taxable years ending on or after December 31,
25 2008, business income derived from furnishing airline
26 transportation services shall be apportioned to this State

1 by multiplying such income by a fraction, the numerator of
2 which is the revenue miles of the person in this State, and
3 the denominator of which is the revenue miles of the person
4 everywhere. For purposes of this paragraph, a revenue mile
5 is the transportation of one passenger or one net ton of
6 freight the distance of one mile for a consideration. If a
7 person is engaged in the transportation of both passengers
8 and freight, the fraction above referred to shall be
9 determined by means of an average of the passenger revenue
10 mile fraction and the freight revenue mile fraction,
11 weighted to reflect the person's relative gross receipts
12 from passenger and freight airline transportation.

13 (e) Combined apportionment. Where 2 or more persons are
14 engaged in a unitary business as described in subsection
15 (a) (27) of Section 1501, a part of which is conducted in this
16 State by one or more members of the group, the business income
17 attributable to this State by any such member or members shall
18 be apportioned by means of the combined apportionment method.

19 (f) Alternative allocation. If the allocation and
20 apportionment provisions of subsections (a) through (e) and of
21 subsection (h) do not fairly represent the extent of a person's
22 business activity in this State, the person may petition for,
23 or the Director may, without a petition, permit or require, in
24 respect of all or any part of the person's business activity,
25 if reasonable:

26 (1) Separate accounting;

1 (2) The exclusion of any one or more factors;

2 (3) The inclusion of one or more additional factors
3 which will fairly represent the person's business
4 activities in this State; or

5 (4) The employment of any other method to effectuate an
6 equitable allocation and apportionment of the person's
7 business income.

8 (g) Cross reference. For allocation of business income by
9 residents, see Section 301(a).

10 (h) For tax years ending on or after December 31, 1998, the
11 apportionment factor of persons who apportion their business
12 income to this State under subsection (a) shall be equal to:

13 (1) for tax years ending on or after December 31, 1998
14 and before December 31, 1999, $16 \frac{2}{3}\%$ of the property
15 factor plus $16 \frac{2}{3}\%$ of the payroll factor plus $66 \frac{2}{3}\%$ of
16 the sales factor;

17 (2) for tax years ending on or after December 31, 1999
18 and before December 31, 2000, $8 \frac{1}{3}\%$ of the property factor
19 plus $8 \frac{1}{3}\%$ of the payroll factor plus $83 \frac{1}{3}\%$ of the sales
20 factor;

21 (3) for tax years ending on or after December 31, 2000,
22 the sales factor.

23 If, in any tax year ending on or after December 31, 1998 and
24 before December 31, 2000, the denominator of the payroll,
25 property, or sales factor is zero, the apportionment factor
26 computed in paragraph (1) or (2) of this subsection for that

1 year shall be divided by an amount equal to 100% minus the
2 percentage weight given to each factor whose denominator is
3 equal to zero.

4 (Source: P.A. 96-763, eff. 8-25-09; 97-507, eff. 8-23-11.)

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

6 Sec. 804. Failure to Pay Estimated Tax.

7 (a) In general. In case of any underpayment of estimated
8 tax by a taxpayer, except as provided in subsection (d) or (e),
9 the taxpayer shall be liable to a penalty in an amount
10 determined at the rate prescribed by Section 3-3 of the Uniform
11 Penalty and Interest Act upon the amount of the underpayment
12 (determined under subsection (b)) for each required
13 installment.

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

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

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

20 (c) Amount of Required Installments.

21 (1) Amount.

22 (A) In General. Except as provided in paragraphs
23 ~~paragraph~~ (2) and (3), the amount of any required
24 installment shall be 25% of the required annual
25 payment.

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

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

7 (ii) for installments due prior to February 1,
8 2011, and after January 31, 2012, 100% of the tax
9 shown on the return of the taxpayer for the
10 preceding taxable year if a return showing a
11 liability for tax was filed by the taxpayer for the
12 preceding taxable year and such preceding year was
13 a taxable year of 12 months; or

14 (iii) for installments due after January 31,
15 2011, and prior to February 1, 2012, 150% of the
16 tax shown on the return of the taxpayer for the
17 preceding taxable year if a return showing a
18 liability for tax was filed by the taxpayer for the
19 preceding taxable year and such preceding year was
20 a taxable year of 12 months.

21 (2) Lower Required Installment where Annualized Income
22 Installment is Less Than Amount Determined Under Paragraph
23 (1).

24 (A) In General. In the case of any required
25 installment if a taxpayer establishes that the
26 annualized income installment is less than the amount

determined under paragraph (1),

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

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

(B) Determination of Annualized Income Installment. In the case of any required installment, the annualized income installment is the excess, if any, of:

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

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

(C) Applicable Percentage.

In the case of the following	The applicable
required installments:	percentage is:
1st.....	22.5%

1	2nd.....	45%
2	3rd.....	67.5%
3	4th.....	90%

4 (D) Annualized Net Income; Individuals. For
5 individuals, net income shall be placed on an
6 annualized basis by:

7 (i) multiplying by 12, or in the case of a
8 taxable year of less than 12 months, by the number
9 of months in the taxable year, the net income
10 computed without regard to the standard exemption
11 for the months in the taxable year ending before
12 the month in which the installment is required to
13 be paid;

14 (ii) dividing the resulting amount by the
15 number of months in the taxable year ending before
16 the month in which such installment date falls; and

17 (iii) deducting from such amount the standard
18 exemption allowable for the taxable year, such
19 standard exemption being determined as of the last
20 date prescribed for payment of the installment.

21 (E) Annualized Net Income; Corporations. For
22 corporations, net income shall be placed on an
23 annualized basis by multiplying by 12 the taxable
24 income

25 (i) for the first 3 months of the taxable year,
26 in the case of the installment required to be paid

1 in the 4th month,

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

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

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

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

16 (3) Notwithstanding any other provision of this
17 subsection (c), in the case of a federally regulated
18 exchange that elects to apportion its income under Section
19 304(c-1) of this Act, the amount of each required
20 installment due prior to June 30 of the first taxable year
21 to which the election applies shall be 25% of the tax that
22 would have been shown on the return for that taxable year
23 if the taxpayer had not made such election.

24 (d) Exceptions. Notwithstanding the provisions of the
25 preceding subsections, the penalty imposed by subsection (a)
26 shall not be imposed if the taxpayer was not required to file

1 an Illinois income tax return for the preceding taxable year,
2 or, for individuals, if the taxpayer had no tax liability for
3 the preceding taxable year and such year was a taxable year of
4 12 months. The penalty imposed by subsection (a) shall also not
5 be imposed on any underpayments of estimated tax due before the
6 effective date of this amendatory Act of 1998 which
7 underpayments are solely attributable to the change in
8 apportionment from subsection (a) to subsection (h) of Section
9 304. The provisions of this amendatory Act of 1998 apply to tax
10 years ending on or after December 31, 1998.

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

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

20 (g) Application of Section in case of tax withheld under
21 Article 7. For purposes of applying this Section:

22 (1) tax withheld from compensation for the taxable year
23 shall be deemed a payment of estimated tax, and an equal
24 part of such amount shall be deemed paid on each
25 installment date for such taxable year, unless the taxpayer
26 establishes the dates on which all amounts were actually

1 withheld, in which case the amounts so withheld shall be
2 deemed payments of estimated tax on the dates on which such
3 amounts were actually withheld;

4 (2) amounts timely paid by a partnership, Subchapter S
5 corporation, or trust on behalf of a partner, shareholder,
6 or beneficiary pursuant to subsection (f) of Section 502 or
7 Section 709.5 and claimed as a payment of estimated tax
8 shall be deemed a payment of estimated tax made on the last
9 day of the taxable year of the partnership, Subchapter S
10 corporation, or trust for which the income from the
11 withholding is made was computed; and

12 (3) all other amounts pursuant to Article 7 shall be
13 deemed a payment of estimated tax on the date the payment
14 is made to the taxpayer of the amount from which the tax is
15 withheld.

16 (g-5) Amounts withheld under the State Salary and Annuity
17 Withholding Act. An individual who has amounts withheld under
18 paragraph (10) of Section 4 of the State Salary and Annuity
19 Withholding Act may elect to have those amounts treated as
20 payments of estimated tax made on the dates on which those
21 amounts are actually withheld.

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

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

1 (Source: P.A. 96-1496, eff. 1-13-11; 97-507, eff. 8-23-11;
2 revised 11-18-11.)

3 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

4 Sec. 1501. Definitions.

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

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

18 (1.5) Captive real estate investment trust:

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

21 (i) that is considered a real estate
22 investment trust for the taxable year under
23 Section 856 of the Internal Revenue Code;

24 (ii) the certificates of beneficial interest
25 or shares of which are not regularly traded on an

1 established securities market; and

2 (iii) of which more than 50% of the voting
3 power or value of the beneficial interest or
4 shares, at any time during the last half of the
5 taxable year, is owned or controlled, directly,
6 indirectly, or constructively, by a single
7 corporation.

8 (B) The term "captive real estate investment
9 trust" does not include:

10 (i) a real estate investment trust of which
11 more than 50% of the voting power or value of the
12 beneficial interest or shares is owned or
13 controlled, directly, indirectly, or
14 constructively, by:

15 (a) a real estate investment trust, other
16 than a captive real estate investment trust;

17 (b) a person who is exempt from taxation
18 under Section 501 of the Internal Revenue Code,
19 and who is not required to treat income
20 received from the real estate investment trust
21 as unrelated business taxable income under
22 Section 512 of the Internal Revenue Code;

23 (c) a listed Australian property trust, if
24 no more than 50% of the voting power or value
25 of the beneficial interest or shares of that
26 trust, at any time during the last half of the

1 taxable year, is owned or controlled, directly
2 or indirectly, by a single person;

3 (d) an entity organized as a trust,
4 provided a listed Australian property trust
5 described in subparagraph (c) owns or
6 controls, directly or indirectly, or
7 constructively, 75% or more of the voting power
8 or value of the beneficial interests or shares
9 of such entity; or

10 (e) an entity that is organized outside of
11 the laws of the United States and that
12 satisfies all of the following criteria:

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

22 (2) the entity is not subject to tax on
23 amounts that are distributed to its
24 beneficial owners or is exempt from
25 entity-level taxation;

26 (3) the entity distributes at least

1 85% of its taxable income (as computed in
2 the jurisdiction in which it is organized)
3 to the holders of its shares or
4 certificates of beneficial interest on an
5 annual basis;

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

14 (5) the entity is organized in a
15 country that has entered into a tax treaty
16 with the United States; or

17 (ii) during its first taxable year for which it
18 elects to be treated as a real estate investment
19 trust under Section 856(c)(1) of the Internal
20 Revenue Code, a real estate investment trust the
21 certificates of beneficial interest or shares of
22 which are not regularly traded on an established
23 securities market, but only if the certificates of
24 beneficial interest or shares of the real estate
25 investment trust are regularly traded on an
26 established securities market prior to the earlier

1 of the due date (including extensions) for filing
2 its return under this Act for that first taxable
3 year or the date it actually files that return.

4 (C) For the purposes of this subsection (1.5), the
5 constructive ownership rules prescribed under Section
6 318(a) of the Internal Revenue Code, as modified by
7 Section 856(d)(5) of the Internal Revenue Code, apply
8 in determining the ownership of stock, assets, or net
9 profits of any person.

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

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

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

22 (5) Department. The term "Department" means the
23 Department of Revenue of this State.

24 (6) Director. The term "Director" means the Director of
25 Revenue of this State.

26 (7) Fiduciary. The term "fiduciary" means a guardian,

1 trustee, executor, administrator, receiver, or any person
2 acting in any fiduciary capacity for any person.

3 (8) Financial organization.

4 (A) The term "financial organization" means any
5 bank, bank holding company, trust company, savings
6 bank, industrial bank, land bank, safe deposit
7 company, private banker, savings and loan association,
8 building and loan association, credit union, currency
9 exchange, cooperative bank, small loan company, sales
10 finance company, investment company, or any person
11 which is owned by a bank or bank holding company. For
12 the purpose of this Section a "person" will include
13 only those persons which a bank holding company may
14 acquire and hold an interest in, directly or
15 indirectly, under the provisions of the Bank Holding
16 Company Act of 1956 (12 U.S.C. 1841, et seq.), except
17 where interests in any person must be disposed of
18 within certain required time limits under the Bank
19 Holding Company Act of 1956.

20 (B) For purposes of subparagraph (A) of this
21 paragraph, the term "bank" includes (i) any entity that
22 is regulated by the Comptroller of the Currency under
23 the National Bank Act, or by the Federal Reserve Board,
24 or by the Federal Deposit Insurance Corporation and
25 (ii) any federally or State chartered bank operating as
26 a credit card bank.

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

4 (i) A person primarily engaged in one or more
5 of the following businesses: the business of
6 purchasing customer receivables, the business of
7 making loans upon the security of customer
8 receivables, the business of making loans for the
9 express purpose of funding purchases of tangible
10 personal property or services by the borrower, or
11 the business of finance leasing. For purposes of
12 this item (i), "customer receivable" means:

13 (a) a retail installment contract or
14 retail charge agreement within the meaning of
15 the Sales Finance Agency Act, the Retail
16 Installment Sales Act, or the Motor Vehicle
17 Retail Installment Sales Act;

18 (b) an installment, charge, credit, or
19 similar contract or agreement arising from the
20 sale of tangible personal property or services
21 in a transaction involving a deferred payment
22 price payable in one or more installments
23 subsequent to the sale; or

24 (c) the outstanding balance of a contract
25 or agreement described in provisions (a) or (b)
26 of this item (i).

1 A customer receivable need not provide for
2 payment of interest on deferred payments. A sales
3 finance company may purchase a customer receivable
4 from, or make a loan secured by a customer
5 receivable to, the seller in the original
6 transaction or to a person who purchased the
7 customer receivable directly or indirectly from
8 that seller.

9 (ii) A corporation meeting each of the
10 following criteria:

11 (a) the corporation must be a member of an
12 "affiliated group" within the meaning of
13 Section 1504(a) of the Internal Revenue Code,
14 determined without regard to Section 1504(b)
15 of the Internal Revenue Code;

16 (b) more than 50% of the gross income of
17 the corporation for the taxable year must be
18 interest income derived from qualifying loans.
19 A "qualifying loan" is a loan made to a member
20 of the corporation's affiliated group that
21 originates customer receivables (within the
22 meaning of item (i)) or to whom customer
23 receivables originated by a member of the
24 affiliated group have been transferred, to the
25 extent the average outstanding balance of
26 loans from that corporation to members of its

1 affiliated group during the taxable year do not
2 exceed the limitation amount for that
3 corporation. The "limitation amount" for a
4 corporation is the average outstanding
5 balances during the taxable year of customer
6 receivables (within the meaning of item (i))
7 originated by all members of the affiliated
8 group. If the average outstanding balances of
9 the loans made by a corporation to members of
10 its affiliated group exceed the limitation
11 amount, the interest income of that
12 corporation from qualifying loans shall be
13 equal to its interest income from loans to
14 members of its affiliated groups times a
15 fraction equal to the limitation amount
16 divided by the average outstanding balances of
17 the loans made by that corporation to members
18 of its affiliated group;

19 (c) the total of all shareholder's equity
20 (including, without limitation, paid-in
21 capital on common and preferred stock and
22 retained earnings) of the corporation plus the
23 total of all of its loans, advances, and other
24 obligations payable or owed to members of its
25 affiliated group may not exceed 20% of the
26 total assets of the corporation at any time

1 during the tax year; and

2 (d) more than 50% of all interest-bearing
3 obligations of the affiliated group payable to
4 persons outside the group determined in
5 accordance with generally accepted accounting
6 principles must be obligations of the
7 corporation.

8 This amendatory Act of the 91st General Assembly is
9 declaratory of existing law.

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

23 (E) For all tax years beginning on or before
24 December 31, 1996, a taxpayer that falls within the
25 definition of a "financial organization" under
26 subparagraphs (B) or (C) of this paragraph, but who

1 does not fall within the definition of a "financial
2 organization" under the Proposed Regulations issued by
3 the Department of Revenue on July 19, 1996, may
4 irrevocably elect to apply the Proposed Regulations
5 for all of those years as though the Proposed
6 Regulations had been lawfully promulgated, adopted,
7 and in effect for all of those years. For purposes of
8 applying subparagraphs (B) or (C) of this paragraph to
9 all of those years, the election allowed by this
10 subparagraph applies only to the taxpayer making the
11 election and to those members of the taxpayer's unitary
12 business group who are ordinarily required to
13 apportion business income under the same subsection of
14 Section 304 of this Act as the taxpayer making the
15 election. No election allowed by this subparagraph
16 shall be made under a claim filed under subsection (d)
17 of Section 909 more than 30 days after the effective
18 date of this amendatory Act of 1996.

19 (F) Finance Leases. For purposes of this
20 subsection, a finance lease shall be treated as a loan
21 or other extension of credit, rather than as a lease,
22 regardless of how the transaction is characterized for
23 any other purpose, including the purposes of any
24 regulatory agency to which the lessor is subject. A
25 finance lease is any transaction in the form of a lease
26 in which the lessee is treated as the owner of the

1 leased asset entitled to any deduction for
2 depreciation allowed under Section 167 of the Internal
3 Revenue Code.

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

7 (9.5) Fixed place of business. The term "fixed place of
8 business" has the same meaning as that term is given in
9 Section 864 of the Internal Revenue Code and the related
10 Treasury regulations.

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

15 (11) Internal Revenue Code. The term "Internal Revenue
16 Code" means the United States Internal Revenue Code of 1954
17 or any successor law or laws relating to federal income
18 taxes in effect for the taxable year.

19 (11.5) Investment partnership.

20 (A) The term "investment partnership" means any
21 entity that is treated as a partnership for federal
22 income tax purposes that meets the following
23 requirements:

24 (i) no less than 90% of the partnership's cost
25 of its total assets consists of qualifying
26 investment securities, deposits at banks or other

1 financial institutions, and office space and
2 equipment reasonably necessary to carry on its
3 activities as an investment partnership;

4 (ii) no less than 90% of its gross income
5 consists of interest, dividends, and gains from
6 the sale or exchange of qualifying investment
7 securities; and

8 (iii) the partnership is not a dealer in
9 qualifying investment securities.

10 (B) For purposes of this paragraph (11.5), the term
11 "qualifying investment securities" includes all of the
12 following:

13 (i) common stock, including preferred or debt
14 securities convertible into common stock, and
15 preferred stock;

16 (ii) bonds, debentures, and other debt
17 securities;

18 (iii) foreign and domestic currency deposits
19 secured by federal, state, or local governmental
20 agencies;

21 (iv) mortgage or asset-backed securities
22 secured by federal, state, or local governmental
23 agencies;

24 (v) repurchase agreements and loan
25 participations;

26 (vi) foreign currency exchange contracts and

1 forward and futures contracts on foreign
2 currencies;

3 (vii) stock and bond index securities and
4 futures contracts and other similar financial
5 securities and futures contracts on those
6 securities;

7 (viii) options for the purchase or sale of any
8 of the securities, currencies, contracts, or
9 financial instruments described in items (i) to
10 (vii), inclusive;

11 (ix) regulated futures contracts;

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

20 (xi) derivatives; and

21 (xii) a partnership interest in another
22 partnership that is an investment partnership.

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

1 (A) arithmetic errors or incorrect computations on
2 the return or supporting schedules;

3 (B) entries on the wrong lines;

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

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

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

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

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

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

1 venture or organization.

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

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

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

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

1 of a partnership, or (v) a member, manager, employee,
2 officer, director, or agent of a limited liability company
3 who in such capacity commits an offense specified in
4 Section 1301 and 1302.

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

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

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

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

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

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

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

1 (21) Sales. The term "sales" means all gross receipts
2 of the taxpayer not allocated under Sections 301, 302 and
3 303.

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

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

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

25 (25) International banking facility. The term
26 international banking facility shall have the same meaning

1 as is set forth in the Illinois Banking Act or as is set
2 forth in the laws of the United States or regulations of
3 the Board of Governors of the Federal Reserve System.

4 (26) Income Tax Return Preparer.

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

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

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

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

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

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

1 determination in the audit of the other taxpayer
2 directly or indirectly affects the tax liability
3 of the taxpayer whose claims he or she is
4 preparing.

5 (27) Unitary business group.

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

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

1 (B) In no event, shall any unitary business group
2 include members which are ordinarily required to
3 apportion business income under different subsections
4 of Section 304 except that for tax years ending on or
5 after December 31, 1987 this prohibition shall not
6 apply to a holding company that would otherwise be a
7 member of a unitary business group with taxpayers that
8 apportion business income under any of subsections
9 (b), (c), (c-1), or (d) of Section 304. If a unitary
10 business group would, but for the preceding sentence,
11 include members that are ordinarily required to
12 apportion business income under different subsections
13 of Section 304, then for each subsection of Section 304
14 for which there are two or more members, there shall be
15 a separate unitary business group composed of such
16 members. For purposes of the preceding two sentences, a
17 member is "ordinarily required to apportion business
18 income" under a particular subsection of Section 304 if
19 it would be required to use the apportionment method
20 prescribed by such subsection except for the fact that
21 it derives business income solely from Illinois. As
22 used in this paragraph, the phrase "United States"
23 means only the 50 states and the District of Columbia,
24 but does not include any territory or possession of the
25 United States or any area over which the United States
26 has asserted jurisdiction or claimed exclusive rights

1 with respect to the exploration for or exploitation of
2 natural resources.

3 (C) Holding companies.

4 (i) For purposes of this subparagraph, a
5 "holding company" is a corporation (other than a
6 corporation that is a financial organization under
7 paragraph (8) of this subsection (a) of Section
8 1501 because it is a bank holding company under the
9 provisions of the Bank Holding Company Act of 1956
10 (12 U.S.C. 1841, et seq.) or because it is owned by
11 a bank or a bank holding company) that owns a
12 controlling interest in one or more other
13 taxpayers ("controlled taxpayers"); that, during
14 the period that includes the taxable year and the 2
15 immediately preceding taxable years or, if the
16 corporation was formed during the current or
17 immediately preceding taxable year, the taxable
18 years in which the corporation has been in
19 existence, derived substantially all its gross
20 income from dividends, interest, rents, royalties,
21 fees or other charges received from controlled
22 taxpayers for the provision of services, and gains
23 on the sale or other disposition of interests in
24 controlled taxpayers or in property leased or
25 licensed to controlled taxpayers or used by the
26 taxpayer in providing services to controlled

1 taxpayers; and that incurs no substantial expenses
2 other than expenses (including interest and other
3 costs of borrowing) incurred in connection with
4 the acquisition and holding of interests in
5 controlled taxpayers and in the provision of
6 services to controlled taxpayers or in the leasing
7 or licensing of property to controlled taxpayers.

8 (ii) The income of a holding company which is a
9 member of more than one unitary business group
10 shall be included in each unitary business group of
11 which it is a member on a pro rata basis, by
12 including in each unitary business group that
13 portion of the base income of the holding company
14 that bears the same proportion to the total base
15 income of the holding company as the gross receipts
16 of the unitary business group bears to the combined
17 gross receipts of all unitary business groups (in
18 both cases without regard to the holding company)
19 or on any other reasonable basis, consistently
20 applied.

21 (iii) A holding company shall apportion its
22 business income under the subsection of Section
23 304 used by the other members of its unitary
24 business group. The apportionment factors of a
25 holding company which would be a member of more
26 than one unitary business group shall be included

1 with the apportionment factors of each unitary
2 business group of which it is a member on a pro
3 rata basis using the same method used in clause
4 (ii).

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

7 (D) If including the base income and factors of a
8 holding company in more than one unitary business group
9 under subparagraph (C) does not fairly reflect the
10 degree of integration between the holding company and
11 one or more of the unitary business groups, the
12 dependence of the holding company and one or more of
13 the unitary business groups upon each other, or the
14 contributions between the holding company and one or
15 more of the unitary business groups, the holding
16 company may petition the Director, under the
17 procedures provided under Section 304(f), for
18 permission to include all base income and factors of
19 the holding company only with members of a unitary
20 business group apportioning their business income
21 under one subsection of subsections (a), (b), (c), or
22 (d) of Section 304. If the petition is granted, the
23 holding company shall be included in a unitary business
24 group only with persons apportioning their business
25 income under the selected subsection of Section 304
26 until the Director grants a petition of the holding

1 company either to be included in more than one unitary
2 business group under subparagraph (C) or to include its
3 base income and factors only with members of a unitary
4 business group apportioning their business income
5 under a different subsection of Section 304.

6 (E) If the unitary business group members'
7 accounting periods differ, the common parent's
8 accounting period or, if there is no common parent, the
9 accounting period of the member that is expected to
10 have, on a recurring basis, the greatest Illinois
11 income tax liability must be used to determine whether
12 to use the apportionment method provided in subsection
13 (a) or subsection (h) of Section 304. The prohibition
14 against membership in a unitary business group for
15 taxpayers ordinarily required to apportion income
16 under different subsections of Section 304 does not
17 apply to taxpayers required to apportion income under
18 subsection (a) and subsection (h) of Section 304. The
19 provisions of this amendatory Act of 1998 apply to tax
20 years ending on or after December 31, 1998.

21 (28) Subchapter S corporation. The term "Subchapter S
22 corporation" means a corporation for which there is in
23 effect an election under Section 1362 of the Internal
24 Revenue Code, or for which there is a federal election to
25 opt out of the provisions of the Subchapter S Revision Act
26 of 1982 and have applied instead the prior federal

1 Subchapter S rules as in effect on July 1, 1982.

2 (30) Foreign person. The term "foreign person" means
3 any person who is a nonresident alien individual and any
4 nonindividual entity, regardless of where created or
5 organized, whose business activity outside the United
6 States is 80% or more of the entity's total business
7 activity.

8 (b) Other definitions.

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

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

14 (B) Words importing the plural include the
15 singular; and

16 (C) Words importing the masculine gender include
17 the feminine as well.

18 (2) "Company" or "association" as including successors
19 and assigns. The word "company" or "association", when used
20 in reference to a corporation, shall be deemed to embrace
21 the words "successors and assigns of such company or
22 association", and in like manner as if these last-named
23 words, or words of similar import, were expressed.

24 (3) Other terms. Any term used in any Section of this
25 Act with respect to the application of, or in connection

1 with, the provisions of any other Section of this Act shall
2 have the same meaning as in such other Section.

3 (Source: P.A. 96-641, eff. 8-24-09; 97-507, eff. 8-23-11.)

4 Section 15-15. The Economic Development for a Growing
5 Economy Tax Credit Act is amended by changing Section 5-15 as
6 follows:

7 (35 ILCS 10/5-15)

8 Sec. 5-15. Tax Credit Awards. Subject to the conditions set
9 forth in this Act, a Taxpayer is entitled to a Credit against
10 or, as described in subsection (g) of this Section, a payment
11 towards taxes imposed pursuant to subsections (a) and (b) of
12 Section 201 of the Illinois Income Tax Act that may be imposed
13 on the Taxpayer for a taxable year beginning on or after
14 January 1, 1999, if the Taxpayer is awarded a Credit by the
15 Department under this Act for that taxable year.

16 (a) The Department shall make Credit awards under this Act
17 to foster job creation and retention in Illinois.

18 (b) A person that proposes a project to create new jobs in
19 Illinois must enter into an Agreement with the Department for
20 the Credit under this Act.

21 (c) The Credit shall be claimed for the taxable years
22 specified in the Agreement.

23 (d) The Credit shall not exceed the Incremental Income Tax
24 attributable to the project that is the subject of the

1 Agreement.

2 (e) Nothing herein shall prohibit a Tax Credit Award to an
3 Applicant that uses a PEO if all other award criteria are
4 satisfied.

5 (f) In lieu of the Credit allowed under this Act against
6 the taxes imposed pursuant to subsections (a) and (b) of
7 Section 201 of the Illinois Income Tax Act for any taxable year
8 ending on or after December 31, 2009, the Taxpayer may elect to
9 claim the Credit against its obligation to pay over withholding
10 under Section 704A of the Illinois Income Tax Act.

11 (1) The election under this subsection (f) may be made
12 only by a Taxpayer that (i) is primarily engaged in one of
13 the following business activities: water purification and
14 treatment, motor vehicle metal stamping, automobile
15 manufacturing, automobile and light duty motor vehicle
16 manufacturing, motor vehicle manufacturing, light truck
17 and utility vehicle manufacturing, heavy duty truck
18 manufacturing, motor vehicle body manufacturing, cable
19 television infrastructure design or manufacturing, or
20 wireless telecommunication or computing terminal device
21 design or manufacturing for use on public networks and (ii)
22 meets the following criteria:

23 (A) the Taxpayer (i) had an Illinois net loss or an
24 Illinois net loss deduction under Section 207 of the
25 Illinois Income Tax Act for the taxable year in which
26 the Credit is awarded, (ii) employed a minimum of 1,000

1 full-time employees in this State during the taxable
2 year in which the Credit is awarded, (iii) has an
3 Agreement under this Act on December 14, 2009 (the
4 effective date of Public Act 96-834), and (iv) is in
5 compliance with all provisions of that Agreement;

6 (B) the Taxpayer (i) had an Illinois net loss or an
7 Illinois net loss deduction under Section 207 of the
8 Illinois Income Tax Act for the taxable year in which
9 the Credit is awarded, (ii) employed a minimum of 1,000
10 full-time employees in this State during the taxable
11 year in which the Credit is awarded, and (iii) has
12 applied for an Agreement within 365 days after December
13 14, 2009 (the effective date of Public Act 96-834);

14 (C) the Taxpayer (i) had an Illinois net operating
15 loss carryforward under Section 207 of the Illinois
16 Income Tax Act in a taxable year ending during calendar
17 year 2008, (ii) has applied for an Agreement within 150
18 days after the effective date of this amendatory Act of
19 the 96th General Assembly, (iii) creates at least 400
20 new jobs in Illinois, (iv) retains at least 2,000 jobs
21 in Illinois that would have been at risk of relocation
22 out of Illinois over a 10-year period, and (v) makes a
23 capital investment of at least \$75,000,000;

24 (D) the Taxpayer (i) had an Illinois net operating
25 loss carryforward under Section 207 of the Illinois
26 Income Tax Act in a taxable year ending during calendar

1 year 2009, (ii) has applied for an Agreement within 150
2 days after the effective date of this amendatory Act of
3 the 96th General Assembly, (iii) creates at least 150
4 new jobs, (iv) retains at least 1,000 jobs in Illinois
5 that would have been at risk of relocation out of
6 Illinois over a 10-year period, and (v) makes a capital
7 investment of at least \$57,000,000; or

8 (E) the Taxpayer (i) employed at least 2,500
9 full-time employees in the State during the year in
10 which the Credit is awarded, (ii) commits to make at
11 least \$500,000,000 in combined capital improvements
12 and project costs under the Agreement, (iii) applies
13 for an Agreement between January 1, 2011 and June 30,
14 2011, (iv) executes an Agreement for the Credit during
15 calendar year 2011, and (v) was incorporated no more
16 than 5 years before the filing of an application for an
17 Agreement.

18 (1.5) The election under this subsection (f) may also
19 be made by a Taxpayer for any Credit awarded pursuant to an
20 agreement that was executed between January 1, 2011 and
21 June 30, 2011, if the Taxpayer (i) is primarily engaged in
22 the manufacture of inner tubes or tires, or both, from
23 natural and synthetic rubber, (ii) employs a minimum of
24 2,400 full-time employees in Illinois at the time of
25 application, (iii) creates at least 350 full-time jobs and
26 retains at least 250 full-time jobs in Illinois that would

1 have been at risk of being created or retained outside of
2 Illinois, and (iv) makes a capital investment of at least
3 \$200,000,000 at the project location.

4 (1.6) The election under this subsection (f) may also
5 be made by a Taxpayer for any Credit awarded pursuant to an
6 agreement that was executed within 150 days after the
7 effective date of this amendatory Act of the 97th General
8 Assembly, if the Taxpayer (i) is primarily engaged in the
9 operation of a discount department store, (ii) maintains
10 its corporate headquarters in Illinois, (iii) employs a
11 minimum of 4,250 full-time employees at its corporate
12 headquarters in Illinois at the time of application, (iv)
13 retains at least 4,250 full-time jobs in Illinois that
14 would have been at risk of being relocated outside of
15 Illinois, (v) had a minimum of \$40,000,000,000 in total
16 revenue in 2010, and (vi) makes a capital investment of at
17 least \$300,000,000 at the project location.

18 (1.7) Notwithstanding any other provision of law, the
19 election under this subsection (f) may also be made by a
20 Taxpayer for any Credit awarded pursuant to an agreement
21 that was executed or applied for on or after July 1, 2011
22 and on or before March 31, 2012, if the Taxpayer is
23 primarily engaged in the manufacture of original and
24 aftermarket filtration parts and products for automobiles,
25 motor vehicles, light duty motor vehicles, light trucks and
26 utility vehicles, and heavy duty trucks, (ii) employs a

1 minimum of 1,000 full-time employees in Illinois at the
2 time of application, (iii) creates at least 250 full-time
3 jobs in Illinois, (iv) relocates its corporate
4 headquarters to Illinois from another state, and (v) makes
5 a capital investment of at least \$4,000,000 at the project
6 location.

7 (2) An election under this subsection shall allow the
8 credit to be taken against payments otherwise due under
9 Section 704A of the Illinois Income Tax Act during the
10 first calendar year beginning after the end of the taxable
11 year in which the credit is awarded under this Act.

12 (3) The election shall be made in the form and manner
13 required by the Illinois Department of Revenue and, once
14 made, shall be irrevocable.

15 (4) If a Taxpayer who meets the requirements of
16 subparagraph (A) of paragraph (1) of this subsection (f)
17 elects to claim the Credit against its withholdings as
18 provided in this subsection (f), then, on and after the
19 date of the election, the terms of the Agreement between
20 the Taxpayer and the Department may not be further amended
21 during the term of the Agreement.

22 (g) A pass-through entity that has been awarded a credit
23 under this Act, its shareholders, or its partners may treat
24 some or all of the credit awarded pursuant to this Act as a tax
25 payment for purposes of the Illinois Income Tax Act. The term
26 "tax payment" means a payment as described in Article 6 or

1 Article 8 of the Illinois Income Tax Act or a composite payment
2 made by a pass-through entity on behalf of any of its
3 shareholders or partners to satisfy such shareholders' or
4 partners' taxes imposed pursuant to subsections (a) and (b) of
5 Section 201 of the Illinois Income Tax Act. In no event shall
6 the amount of the award credited pursuant to this Act exceed
7 the Illinois income tax liability of the pass-through entity or
8 its shareholders or partners for the taxable year.

9 (Source: P.A. 96-834, eff. 12-14-09; 96-836, eff. 12-16-09;
10 96-905, eff. 6-4-10; 96-1000, eff. 7-2-10; 96-1534, eff.
11 3-4-11; 97-2, eff. 5-6-11.)

12 Section 15-17. The Business Location Efficiency Incentive
13 Act is amended by changing Section 25 as follows:

14 (35 ILCS 11/25)

15 (Section scheduled to be repealed on December 31, 2011)

16 Sec. 25. Repeal. This Act is repealed on December 31, 2016
17 ~~2011~~.

18 (Source: P.A. 94-966, eff. 1-1-07.)

19 Section 15-18. The Small Business Job Creation Tax Credit
20 Act is amended by changing Sections 10 and 25 as follows:

21 (35 ILCS 25/10)

22 Sec. 10. Definitions. In this Act:

1 "Applicant" means a person that is operating a business
2 located within the State of Illinois that is engaged in
3 interstate or intrastate commerce and either:

4 (1) has no more than 50 full-time employees, without
5 regard to the location of employment of such employees at
6 the beginning of the incentive period; or

7 (2) hired within the incentive period an employee who
8 had participated as worker-trainee in the Put Illinois to
9 Work Program during 2010.

10 In the case of any person that is a member of a unitary
11 business group within the meaning of subdivision (a)(27) of
12 Section 1501 of the Illinois Income Tax Act, "applicant" refers
13 to the unitary business group.

14 "Certificate" means the tax credit certificate issued by
15 the Department under Section 35 of this Act.

16 "Certificate of eligibility" means the certificate issued
17 by the Department under Section 20 of this Act.

18 "Credit" means the amount awarded by the Department to an
19 applicant by issuance of a certificate under Section 35 of this
20 Act for each new full-time equivalent employee hired or job
21 created.

22 "Department" means the Department of Commerce and Economic
23 Opportunity.

24 "Director" means the Director of the Department.

25 "Full-time employee" means an individual who is employed
26 for a basic wage for at least 35 hours each week or who renders

1 any other standard of service generally accepted by industry
2 custom or practice as full-time employment.

3 "Incentive period" means the period beginning on July 1 and
4 ending on June 30 of the following year. The first incentive
5 period shall begin on July 1, 2010 and the last incentive
6 period shall end ending on June 30, 2016 2011.

7 "Basic wage" means compensation for employment that is no
8 less than \$10 per hour or the equivalent salary for a new
9 employee.

10 "New employee" means a full-time employee:

11 (1) who first became employed by an applicant with less
12 than 50 full-time employees within the incentive period
13 whose hire results in a net increase in the applicant's
14 full-time Illinois employees and who is receiving a basic
15 wage as compensation; or

16 (2) who participated as a worker-trainee in the Put
17 Illinois to Work Program during 2010 and who is
18 subsequently hired during the incentive period by an
19 applicant and who is receiving a basic wage as
20 compensation.

21 The term "new employee" does not include:

22 (1) a person who was previously employed in Illinois by
23 the applicant or a related member prior to the onset of the
24 incentive period; or

25 (2) any individual who has a direct or indirect
26 ownership interest of at least 5% in the profits, capital,

1 or value of the applicant or a related member.

2 "Noncompliance date" means, in the case of an applicant
3 that is not complying with the requirements of the provisions
4 of this Act, the day following the last date upon which the
5 taxpayer was in compliance with the requirements of the
6 provisions of this Act, as determined by the Director, pursuant
7 to Section 45 of this Act.

8 "Put Illinois to Work Program" means a worker training and
9 employment program that was established by the State of
10 Illinois with funding from the United States Department of
11 Health and Human Services of Emergency Temporary Assistance to
12 Needy Families funds authorized by the American Recovery and
13 Reinvestment Act of 2009 (ARRA TANF Funds). These ARRA TANF
14 funds were in turn used by the State of Illinois to fund the
15 Put Illinois to Work Program.

16 "Related member" means a person that, with respect to the
17 applicant during any portion of the incentive period, is any
18 one of the following,

19 (1) An individual, if the individual and the members of
20 the individual's family (as defined in Section 318 of the
21 Internal Revenue Code) own directly, indirectly,
22 beneficially, or constructively, in the aggregate, at
23 least 50% of the value of the outstanding profits, capital,
24 stock, or other ownership interest in the applicant.

25 (2) A partnership, estate, or trust and any partner or
26 beneficiary, if the partnership, estate, or trust and its

1 partners or beneficiaries own directly, indirectly,
2 beneficially, or constructively, in the aggregate, at
3 least 50% of the profits, capital, stock, or other
4 ownership interest in the applicant.

5 (3) A corporation, and any party related to the
6 corporation in a manner that would require an attribution
7 of stock from the corporation under the attribution rules
8 of Section 318 of the Internal Revenue Code, if the
9 applicant and any other related member own, in the
10 aggregate, directly, indirectly, beneficially, or
11 constructively, at least 50% of the value of the
12 corporation's outstanding stock.

13 (4) A corporation and any party related to that
14 corporation in a manner that would require an attribution
15 of stock from the corporation to the party or from the
16 party to the corporation under the attribution rules of
17 Section 318 of the Internal Revenue Code, if the
18 corporation and all such related parties own, in the
19 aggregate, at least 50% of the profits, capital, stock, or
20 other ownership interest in the applicant.

21 (5) A person to or from whom there is attribution of
22 stock ownership in accordance with Section 1563(e) of the
23 Internal Revenue Code, except that for purposes of
24 determining whether a person is a related member under this
25 paragraph, "20%" shall be substituted for "5%" whenever
26 "5%" appears in Section 1563(e) of the Internal Revenue

1 Code.

2 (Source: P.A. 96-888, eff. 4-13-10; 96-1498, eff. 1-18-11.)

3 (35 ILCS 25/25)

4 Sec. 25. Tax credit.

5 (a) Subject to the conditions set forth in this Act, an
6 applicant is entitled to a credit against payment of taxes
7 withheld under Section 704A of the Illinois Income Tax Act:

8 (1) for new employees who participated as
9 worker-trainees in the Put Illinois to Work Program during
10 2010:

11 (A) in the first calendar year ending on or after
12 the date that is 6 months after December 31, 2010, or
13 the date of hire, whichever is later. Under this
14 subparagraph, the applicant is entitled to one-half of
15 the credit allowable for each new employee who is
16 employed for at least 6 months after the date of hire;
17 and

18 (B) in the first calendar year ending on or after
19 the date that is 12 months after December 31, 2010, or
20 the date of hire, whichever is later. Under this
21 subparagraph, the applicant is entitled to one-half of
22 the credit allowable for each new employee who is
23 employed for at least 12 months after the date of hire;

24 (2) for all other new employees, in the first calendar
25 year ending on or after the date that is 12 months after

1 the date of hire of a new employee. The credit shall be
2 allowed as a credit to an applicant for each full-time
3 employee hired during the incentive period that results in
4 a net increase in full-time Illinois employees, where the
5 net increase in the employer's full-time Illinois
6 employees is maintained for at least 12 months.

7 (b) The Department shall make credit awards under this Act
8 to further job creation.

9 (c) The credit shall be claimed for the first calendar year
10 ending on or after the date on which the certificate is issued
11 by the Department.

12 (d) The credit shall not exceed \$2,500 per new employee
13 hired.

14 (e) The net increase in full-time Illinois employees,
15 measured on an annual full-time equivalent basis, shall be the
16 total number of full-time Illinois employees of the applicant
17 on the final day of the incentive period ~~June 30, 2011~~, minus
18 the number of full-time Illinois employees employed by the
19 employer on the first day of that same incentive period ~~July 1,~~
20 ~~2010~~. For purposes of the calculation, an employer that begins
21 doing business in this State during the incentive period, as
22 determined by the Director, shall be treated as having zero
23 Illinois employees on the first day of the incentive period
24 ~~July 1, 2010~~.

25 (f) The net increase in the number of full-time Illinois
26 employees of the applicant under subsection (e) must be

1 sustained continuously for at least 12 months, starting with
2 the date of hire of a new employee during the incentive period.
3 Eligibility for the credit does not depend on the continuous
4 employment of any particular individual. For purposes of this
5 subsection (f), if a new employee ceases to be employed before
6 the completion of the 12-month period for any reason, the net
7 increase in the number of full-time Illinois employees shall be
8 treated as continuous if a different new employee is hired as a
9 replacement within a reasonable time for the same position.

10 (Source: P.A. 96-888, eff. 4-13-10; 96-1498, eff. 1-18-11.)

11 Section 15-20. The Use Tax Act is amended by changing
12 Sections 3-5, 3-10, and 3-90 as follows:

13 (35 ILCS 105/3-5)

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

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

23 (2) Personal property purchased by a not-for-profit
24 Illinois county fair association for use in conducting,

1 operating, or promoting the county fair.

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

17 (4) Personal property purchased by a governmental body, by
18 a corporation, society, association, foundation, or
19 institution organized and operated exclusively for charitable,
20 religious, or educational purposes, or by a not-for-profit
21 corporation, society, association, foundation, institution, or
22 organization that has no compensated officers or employees and
23 that is organized and operated primarily for the recreation of
24 persons 55 years of age or older. A limited liability company
25 may qualify for the exemption under this paragraph only if the
26 limited liability company is organized and operated

1 exclusively for educational purposes. On and after July 1,
2 1987, however, no entity otherwise eligible for this exemption
3 shall make tax-free purchases unless it has an active exemption
4 identification number issued by the Department.

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

8 (6) Until July 1, 2003 and beginning again on September 1,
9 2004 through August 30, 2014, graphic arts machinery and
10 equipment, including repair and replacement parts, both new and
11 used, and including that manufactured on special order,
12 certified by the purchaser to be used primarily for graphic
13 arts production, and including machinery and equipment
14 purchased for lease. Equipment includes chemicals or chemicals
15 acting as catalysts but only if the chemicals or chemicals
16 acting as catalysts effect a direct and immediate change upon a
17 graphic arts product.

18 (7) Farm chemicals.

19 (8) Legal tender, currency, medallions, or gold or silver
20 coinage issued by the State of Illinois, the government of the
21 United States of America, or the government of any foreign
22 country, and bullion.

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

26 (10) A motor vehicle of the first division, a motor vehicle

1 of the second division that is a self-contained motor vehicle
2 designed or permanently converted to provide living quarters
3 for recreational, camping, or travel use, with direct walk
4 through to the living quarters from the driver's seat, or a
5 motor vehicle of the second division that is of the van
6 configuration designed for the transportation of not less than
7 7 nor more than 16 passengers, as defined in Section 1-146 of
8 the Illinois Vehicle Code, that is used for automobile renting,
9 as defined in the Automobile Renting Occupation and Use Tax
10 Act.

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

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

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

12 Farm machinery and equipment also includes computers,
13 sensors, software, and related equipment used primarily in the
14 computer-assisted operation of production agriculture
15 facilities, equipment, and activities such as, but not limited
16 to, the collection, monitoring, and correlation of animal and
17 crop data for the purpose of formulating animal diets and
18 agricultural chemicals. This item (11) is exempt from the
19 provisions of Section 3-90.

20 (12) Fuel and petroleum products sold to or used by an air
21 common carrier, certified by the carrier to be used for
22 consumption, shipment, or storage in the conduct of its
23 business as an air common carrier, for a flight destined for or
24 returning from a location or locations outside the United
25 States without regard to previous or subsequent domestic
26 stopovers.

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

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

18 (15) Photoprocessing machinery and equipment, including
19 repair and replacement parts, both new and used, including that
20 manufactured on special order, certified by the purchaser to be
21 used primarily for photoprocessing, and including
22 photoprocessing machinery and equipment purchased for lease.

23 (16) Until July 1, 2003, coal exploration, mining,
24 offhighway hauling, processing, maintenance, and reclamation
25 equipment, including replacement parts and equipment, and
26 including equipment purchased for lease, but excluding motor

1 vehicles required to be registered under the Illinois Vehicle
2 Code.

3 (17) Until July 1, 2003, distillation machinery and
4 equipment, sold as a unit or kit, assembled or installed by the
5 retailer, certified by the user to be used only for the
6 production of ethyl alcohol that will be used for consumption
7 as motor fuel or as a component of motor fuel for the personal
8 use of the user, and not subject to sale or resale.

9 (18) Manufacturing and assembling machinery and equipment
10 used primarily in the process of manufacturing or assembling
11 tangible personal property for wholesale or retail sale or
12 lease, whether that sale or lease is made directly by the
13 manufacturer or by some other person, whether the materials
14 used in the process are owned by the manufacturer or some other
15 person, or whether that sale or lease is made apart from or as
16 an incident to the seller's engaging in the service occupation
17 of producing machines, tools, dies, jigs, patterns, gauges, or
18 other similar items of no commercial value on special order for
19 a particular purchaser.

20 (19) Personal property delivered to a purchaser or
21 purchaser's donee inside Illinois when the purchase order for
22 that personal property was received by a florist located
23 outside Illinois who has a florist located inside Illinois
24 deliver the personal property.

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

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

12 (22) Computers and communications equipment utilized for
13 any hospital purpose and equipment used in the diagnosis,
14 analysis, or treatment of hospital patients purchased by a
15 lessor who leases the equipment, under a lease of one year or
16 longer executed or in effect at the time the lessor would
17 otherwise be subject to the tax imposed by this Act, to a
18 hospital that has been issued an active tax exemption
19 identification number by the Department under Section 1g of the
20 Retailers' Occupation Tax Act. If the equipment is leased in a
21 manner that does not qualify for this exemption or is used in
22 any other non-exempt manner, the lessor shall be liable for the
23 tax imposed under this Act or the Service Use Tax Act, as the
24 case may be, based on the fair market value of the property at
25 the time the non-qualifying use occurs. No lessor shall collect
26 or attempt to collect an amount (however designated) that

1 purports to reimburse that lessor for the tax imposed by this
2 Act or the Service Use Tax Act, as the case may be, if the tax
3 has not been paid by the lessor. If a lessor improperly
4 collects any such amount from the lessee, the lessee shall have
5 a legal right to claim a refund of that amount from the lessor.
6 If, however, that amount is not refunded to the lessee for any
7 reason, the lessor is liable to pay that amount to the
8 Department.

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

1 that amount is not refunded to the lessee for any reason, the
2 lessor is liable to pay that amount to the Department.

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

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

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

1 used in the Wildlife Code. This paragraph is exempt from the
2 provisions of Section 3-90.

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

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

1 parents and teachers of the school children. This paragraph
2 does not apply to fundraising events (i) for the benefit of
3 private home instruction or (ii) for which the fundraising
4 entity purchases the personal property sold at the events from
5 another individual or entity that sold the property for the
6 purpose of resale by the fundraising entity and that profits
7 from the sale to the fundraising entity. This paragraph is
8 exempt from the provisions of Section 3-90.

9 (29) Beginning January 1, 2000 and through December 31,
10 2001, new or used automatic vending machines that prepare and
11 serve hot food and beverages, including coffee, soup, and other
12 items, and replacement parts for these machines. Beginning
13 January 1, 2002 and through June 30, 2003, machines and parts
14 for machines used in commercial, coin-operated amusement and
15 vending business if a use or occupation tax is paid on the
16 gross receipts derived from the use of the commercial,
17 coin-operated amusement and vending machines. This paragraph
18 is exempt from the provisions of Section 3-90.

19 (30) Beginning January 1, 2001 and through June 30, 2016
20 ~~June 30, 2011~~, food for human consumption that is to be
21 consumed off the premises where it is sold (other than
22 alcoholic beverages, soft drinks, and food that has been
23 prepared for immediate consumption) and prescription and
24 nonprescription medicines, drugs, medical appliances, and
25 insulin, urine testing materials, syringes, and needles used by
26 diabetics, for human use, when purchased for use by a person

1 receiving medical assistance under Article V of the Illinois
2 Public Aid Code who resides in a licensed long-term care
3 facility, as defined in the Nursing Home Care Act, or in a
4 licensed facility as defined in the ID/DD Community Care Act or
5 the Specialized Mental Health Rehabilitation Act.

6 (31) Beginning on the effective date of this amendatory Act
7 of the 92nd General Assembly, computers and communications
8 equipment utilized for any hospital purpose and equipment used
9 in the diagnosis, analysis, or treatment of hospital patients
10 purchased by a lessor who leases the equipment, under a lease
11 of one year or longer executed or in effect at the time the
12 lessor would otherwise be subject to the tax imposed by this
13 Act, to a hospital that has been issued an active tax exemption
14 identification number by the Department under Section 1g of the
15 Retailers' Occupation Tax Act. If the equipment is leased in a
16 manner that does not qualify for this exemption or is used in
17 any other nonexempt manner, the lessor shall be liable for the
18 tax imposed under this Act or the Service Use Tax Act, as the
19 case may be, based on the fair market value of the property at
20 the time the nonqualifying use occurs. No lessor shall collect
21 or attempt to collect an amount (however designated) that
22 purports to reimburse that lessor for the tax imposed by this
23 Act or the Service Use Tax Act, as the case may be, if the tax
24 has not been paid by the lessor. If a lessor improperly
25 collects any such amount from the lessee, the lessee shall have
26 a legal right to claim a refund of that amount from the lessor.

1 If, however, that amount is not refunded to the lessee for any
2 reason, the lessor is liable to pay that amount to the
3 Department. This paragraph is exempt from the provisions of
4 Section 3-90.

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

1 from the provisions of Section 3-90.

2 (33) On and after July 1, 2003 and through June 30, 2004,
3 the use in this State of motor vehicles of the second division
4 with a gross vehicle weight in excess of 8,000 pounds and that
5 are subject to the commercial distribution fee imposed under
6 Section 3-815.1 of the Illinois Vehicle Code. Beginning on July
7 1, 2004 and through June 30, 2005, the use in this State of
8 motor vehicles of the second division: (i) with a gross vehicle
9 weight rating in excess of 8,000 pounds; (ii) that are subject
10 to the commercial distribution fee imposed under Section
11 3-815.1 of the Illinois Vehicle Code; and (iii) that are
12 primarily used for commercial purposes. Through June 30, 2005,
13 this exemption applies to repair and replacement parts added
14 after the initial purchase of such a motor vehicle if that
15 motor vehicle is used in a manner that would qualify for the
16 rolling stock exemption otherwise provided for in this Act. For
17 purposes of this paragraph, the term "used for commercial
18 purposes" means the transportation of persons or property in
19 furtherance of any commercial or industrial enterprise,
20 whether for-hire or not.

21 (34) Beginning January 1, 2008, tangible personal property
22 used in the construction or maintenance of a community water
23 supply, as defined under Section 3.145 of the Environmental
24 Protection Act, that is operated by a not-for-profit
25 corporation that holds a valid water supply permit issued under
26 Title IV of the Environmental Protection Act. This paragraph is

1 exempt from the provisions of Section 3-90.

2 (35) Beginning January 1, 2010, materials, parts,
3 equipment, components, and furnishings incorporated into or
4 upon an aircraft as part of the modification, refurbishment,
5 completion, replacement, repair, or maintenance of the
6 aircraft. This exemption includes consumable supplies used in
7 the modification, refurbishment, completion, replacement,
8 repair, and maintenance of aircraft, but excludes any
9 materials, parts, equipment, components, and consumable
10 supplies used in the modification, replacement, repair, and
11 maintenance of aircraft engines or power plants, whether such
12 engines or power plants are installed or uninstalled upon any
13 such aircraft. "Consumable supplies" include, but are not
14 limited to, adhesive, tape, sandpaper, general purpose
15 lubricants, cleaning solution, latex gloves, and protective
16 films. This exemption applies only to those organizations that
17 (i) hold an Air Agency Certificate and are empowered to operate
18 an approved repair station by the Federal Aviation
19 Administration, (ii) have a Class IV Rating, and (iii) conduct
20 operations in accordance with Part 145 of the Federal Aviation
21 Regulations. The exemption does not include aircraft operated
22 by a commercial air carrier providing scheduled passenger air
23 service pursuant to authority issued under Part 121 or Part 129
24 of the Federal Aviation Regulations.

25 (36) Tangible personal property purchased by a
26 public-facilities corporation, as described in Section

1 11-65-10 of the Illinois Municipal Code, for purposes of
2 constructing or furnishing a municipal convention hall, but
3 only if the legal title to the municipal convention hall is
4 transferred to the municipality without any further
5 consideration by or on behalf of the municipality at the time
6 of the completion of the municipal convention hall or upon the
7 retirement or redemption of any bonds or other debt instruments
8 issued by the public-facilities corporation in connection with
9 the development of the municipal convention hall. This
10 exemption includes existing public-facilities corporations as
11 provided in Section 11-65-25 of the Illinois Municipal Code.
12 This paragraph is exempt from the provisions of Section 3-90.

13 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
14 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
15 7-2-10; 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431, eff.
16 8-16-11; revised 9-12-11.)

17 (35 ILCS 105/3-10)

18 Sec. 3-10. Rate of tax. Unless otherwise provided in this
19 Section, the tax imposed by this Act is at the rate of 6.25% of
20 either the selling price or the fair market value, if any, of
21 the tangible personal property. In all cases where property
22 functionally used or consumed is the same as the property that
23 was purchased at retail, then the tax is imposed on the selling
24 price of the property. In all cases where property functionally
25 used or consumed is a by-product or waste product that has been

1 refined, manufactured, or produced from property purchased at
2 retail, then the tax is imposed on the lower of the fair market
3 value, if any, of the specific property so used in this State
4 or on the selling price of the property purchased at retail.
5 For purposes of this Section "fair market value" means the
6 price at which property would change hands between a willing
7 buyer and a willing seller, neither being under any compulsion
8 to buy or sell and both having reasonable knowledge of the
9 relevant facts. The fair market value shall be established by
10 Illinois sales by the taxpayer of the same property as that
11 functionally used or consumed, or if there are no such sales by
12 the taxpayer, then comparable sales or purchases of property of
13 like kind and character in Illinois.

14 Beginning on July 1, 2000 and through December 31, 2000,
15 with respect to motor fuel, as defined in Section 1.1 of the
16 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
17 the Use Tax Act, the tax is imposed at the rate of 1.25%.

18 Beginning on August 6, 2010 through August 15, 2010, with
19 respect to sales tax holiday items as defined in Section 3-6 of
20 this Act, the tax is imposed at the rate of 1.25%.

21 With respect to gasohol, the tax imposed by this Act
22 applies to (i) 70% of the proceeds of sales made on or after
23 January 1, 1990, and before July 1, 2003, (ii) 80% of the
24 proceeds of sales made on or after July 1, 2003 and on or
25 before December 31, 2018 ~~2013~~, and (iii) 100% of the proceeds
26 of sales made thereafter. If, at any time, however, the tax

1 under this Act on sales of gasohol is imposed at the rate of
2 1.25%, then the tax imposed by this Act applies to 100% of the
3 proceeds of sales of gasohol made during that time.

4 With respect to majority blended ethanol fuel, the tax
5 imposed by this Act does not apply to the proceeds of sales
6 made on or after July 1, 2003 and on or before December 31,
7 2018 ~~2013~~ but applies to 100% of the proceeds of sales made
8 thereafter.

9 With respect to biodiesel blends with no less than 1% and
10 no more than 10% biodiesel, the tax imposed by this Act applies
11 to (i) 80% of the proceeds of sales made on or after July 1,
12 2003 and on or before December 31, 2018 ~~2013~~ and (ii) 100% of
13 the proceeds of sales made thereafter. If, at any time,
14 however, the tax under this Act on sales of biodiesel blends
15 with no less than 1% and no more than 10% biodiesel is imposed
16 at the rate of 1.25%, then the tax imposed by this Act applies
17 to 100% of the proceeds of sales of biodiesel blends with no
18 less than 1% and no more than 10% biodiesel made during that
19 time.

20 With respect to 100% biodiesel and biodiesel blends with
21 more than 10% but no more than 99% biodiesel, the tax imposed
22 by this Act does not apply to the proceeds of sales made on or
23 after July 1, 2003 and on or before December 31, 2018 ~~2013~~ but
24 applies to 100% of the proceeds of sales made thereafter.

25 With respect to food for human consumption that is to be
26 consumed off the premises where it is sold (other than

1 alcoholic beverages, soft drinks, and food that has been
2 prepared for immediate consumption) and prescription and
3 nonprescription medicines, drugs, medical appliances,
4 modifications to a motor vehicle for the purpose of rendering
5 it usable by a disabled person, and insulin, urine testing
6 materials, syringes, and needles used by diabetics, for human
7 use, the tax is imposed at the rate of 1%. For the purposes of
8 this Section, until September 1, 2009: the term "soft drinks"
9 means any complete, finished, ready-to-use, non-alcoholic
10 drink, whether carbonated or not, including but not limited to
11 soda water, cola, fruit juice, vegetable juice, carbonated
12 water, and all other preparations commonly known as soft drinks
13 of whatever kind or description that are contained in any
14 closed or sealed bottle, can, carton, or container, regardless
15 of size; but "soft drinks" does not include coffee, tea,
16 non-carbonated water, infant formula, milk or milk products as
17 defined in the Grade A Pasteurized Milk and Milk Products Act,
18 or drinks containing 50% or more natural fruit or vegetable
19 juice.

20 Notwithstanding any other provisions of this Act,
21 beginning September 1, 2009, "soft drinks" means non-alcoholic
22 beverages that contain natural or artificial sweeteners. "Soft
23 drinks" do not include beverages that contain milk or milk
24 products, soy, rice or similar milk substitutes, or greater
25 than 50% of vegetable or fruit juice by volume.

26 Until August 1, 2009, and notwithstanding any other

1 provisions of this Act, "food for human consumption that is to
2 be consumed off the premises where it is sold" includes all
3 food sold through a vending machine, except soft drinks and
4 food products that are dispensed hot from a vending machine,
5 regardless of the location of the vending machine. Beginning
6 August 1, 2009, and notwithstanding any other provisions of
7 this Act, "food for human consumption that is to be consumed
8 off the premises where it is sold" includes all food sold
9 through a vending machine, except soft drinks, candy, and food
10 products that are dispensed hot from a vending machine,
11 regardless of the location of the vending machine.

12 Notwithstanding any other provisions of this Act,
13 beginning September 1, 2009, "food for human consumption that
14 is to be consumed off the premises where it is sold" does not
15 include candy. For purposes of this Section, "candy" means a
16 preparation of sugar, honey, or other natural or artificial
17 sweeteners in combination with chocolate, fruits, nuts or other
18 ingredients or flavorings in the form of bars, drops, or
19 pieces. "Candy" does not include any preparation that contains
20 flour or requires refrigeration.

21 Notwithstanding any other provisions of this Act,
22 beginning September 1, 2009, "nonprescription medicines and
23 drugs" does not include grooming and hygiene products. For
24 purposes of this Section, "grooming and hygiene products"
25 includes, but is not limited to, soaps and cleaning solutions,
26 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan

1 lotions and screens, unless those products are available by
2 prescription only, regardless of whether the products meet the
3 definition of "over-the-counter-drugs". For the purposes of
4 this paragraph, "over-the-counter-drug" means a drug for human
5 use that contains a label that identifies the product as a drug
6 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
7 label includes:

8 (A) A "Drug Facts" panel; or

9 (B) A statement of the "active ingredient(s)" with a
10 list of those ingredients contained in the compound,
11 substance or preparation.

12 If the property that is purchased at retail from a retailer
13 is acquired outside Illinois and used outside Illinois before
14 being brought to Illinois for use here and is taxable under
15 this Act, the "selling price" on which the tax is computed
16 shall be reduced by an amount that represents a reasonable
17 allowance for depreciation for the period of prior out-of-state
18 use.

19 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,
20 eff. 7-13-09; 96-1000, eff. 7-2-10; 96-1012, eff. 7-7-10.)

21 (35 ILCS 105/3-90)

22 Sec. 3-90. Sunset of exemptions, credits, and deductions.

23 (a) The application of every exemption, credit, and
24 deduction against tax imposed by this Act that becomes law
25 after the effective date of this amendatory Act of 1994 shall

1 be limited by a reasonable and appropriate sunset date. A
2 taxpayer is not entitled to take the exemption, credit, or
3 deduction beginning on the sunset date and thereafter. Except
4 as provided in subsection (b) of this Section, if ~~if~~ a
5 reasonable and appropriate sunset date is not specified in the
6 Public Act that creates the exemption, credit, or deduction, a
7 taxpayer shall not be entitled to take the exemption, credit,
8 or deduction beginning 5 years after the effective date of the
9 Public Act creating the exemption, credit, or deduction and
10 thereafter.

11 (b) Notwithstanding the provisions of subsection (a) of
12 this Section, the sunset date of any exemption, credit, or
13 deduction that is scheduled to expire in 2011, 2012, or 2013 by
14 operation of this Section shall be extended by 5 years.

15 (Source: P.A. 88-660, eff. 9-16-94; 89-235, eff. 8-4-95.)

16 Section 15-25. The Service Use Tax Act is amended by
17 changing Sections 3-5, 3-10, and 3-75 as follows:

18 (35 ILCS 110/3-5)

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

21 (1) Personal property purchased from a corporation,
22 society, association, foundation, institution, or
23 organization, other than a limited liability company, that is
24 organized and operated as a not-for-profit service enterprise

1 for the benefit of persons 65 years of age or older if the
2 personal property was not purchased by the enterprise for the
3 purpose of resale by the enterprise.

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

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

22 (4) Legal tender, currency, medallions, or gold or silver
23 coinage issued by the State of Illinois, the government of the
24 United States of America, or the government of any foreign
25 country, and bullion.

26 (5) Until July 1, 2003 and beginning again on September 1,

1 2004 through August 30, 2014, graphic arts machinery and
2 equipment, including repair and replacement parts, both new and
3 used, and including that manufactured on special order or
4 purchased for lease, certified by the purchaser to be used
5 primarily for graphic arts production. Equipment includes
6 chemicals or chemicals acting as catalysts but only if the
7 chemicals or chemicals acting as catalysts effect a direct and
8 immediate change upon a graphic arts product.

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

12 (7) Farm machinery and equipment, both new and used,
13 including that manufactured on special order, certified by the
14 purchaser to be used primarily for production agriculture or
15 State or federal agricultural programs, including individual
16 replacement parts for the machinery and equipment, including
17 machinery and equipment purchased for lease, and including
18 implements of husbandry defined in Section 1-130 of the
19 Illinois Vehicle Code, farm machinery and agricultural
20 chemical and fertilizer spreaders, and nurse wagons required to
21 be registered under Section 3-809 of the Illinois Vehicle Code,
22 but excluding other motor vehicles required to be registered
23 under the Illinois Vehicle Code. Horticultural polyhouses or
24 hoop houses used for propagating, growing, or overwintering
25 plants shall be considered farm machinery and equipment under
26 this item (7). Agricultural chemical tender tanks and dry boxes

1 shall include units sold separately from a motor vehicle
2 required to be licensed and units sold mounted on a motor
3 vehicle required to be licensed if the selling price of the
4 tender is separately stated.

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

13 Farm machinery and equipment also includes computers,
14 sensors, software, and related equipment used primarily in the
15 computer-assisted operation of production agriculture
16 facilities, equipment, and activities such as, but not limited
17 to, the collection, monitoring, and correlation of animal and
18 crop data for the purpose of formulating animal diets and
19 agricultural chemicals. This item (7) is exempt from the
20 provisions of Section 3-75.

21 (8) Fuel and petroleum products sold to or used by an air
22 common carrier, certified by the carrier to be used for
23 consumption, shipment, or storage in the conduct of its
24 business as an air common carrier, for a flight destined for or
25 returning from a location or locations outside the United
26 States without regard to previous or subsequent domestic

1 stopovers.

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

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

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

26 (12) Until July 1, 2003, coal exploration, mining,

1 offhighway hauling, processing, maintenance, and reclamation
2 equipment, including replacement parts and equipment, and
3 including equipment purchased for lease, but excluding motor
4 vehicles required to be registered under the Illinois Vehicle
5 Code.

6 (13) Semen used for artificial insemination of livestock
7 for direct agricultural production.

8 (14) Horses, or interests in horses, registered with and
9 meeting the requirements of any of the Arabian Horse Club
10 Registry of America, Appaloosa Horse Club, American Quarter
11 Horse Association, United States Trotting Association, or
12 Jockey Club, as appropriate, used for purposes of breeding or
13 racing for prizes. This item (14) is exempt from the provisions
14 of Section 3-75, and the exemption provided for under this item
15 (14) applies for all periods beginning May 30, 1995, but no
16 claim for credit or refund is allowed on or after the effective
17 date of this amendatory Act of the 95th General Assembly for
18 such taxes paid during the period beginning May 30, 2000 and
19 ending on the effective date of this amendatory Act of the 95th
20 General Assembly.

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

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

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

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

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

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

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

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

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

1 follow a trade or to pursue a manual, technical, mechanical,
2 industrial, business, or commercial occupation.

3 (21) Beginning January 1, 2000, personal property,
4 including food, purchased through fundraising events for the
5 benefit of a public or private elementary or secondary school,
6 a group of those schools, or one or more school districts if
7 the events are sponsored by an entity recognized by the school
8 district that consists primarily of volunteers and includes
9 parents and teachers of the school children. This paragraph
10 does not apply to fundraising events (i) for the benefit of
11 private home instruction or (ii) for which the fundraising
12 entity purchases the personal property sold at the events from
13 another individual or entity that sold the property for the
14 purpose of resale by the fundraising entity and that profits
15 from the sale to the fundraising entity. This paragraph is
16 exempt from the provisions of Section 3-75.

17 (22) Beginning January 1, 2000 and through December 31,
18 2001, new or used automatic vending machines that prepare and
19 serve hot food and beverages, including coffee, soup, and other
20 items, and replacement parts for these machines. Beginning
21 January 1, 2002 and through June 30, 2003, machines and parts
22 for machines used in commercial, coin-operated amusement and
23 vending business if a use or occupation tax is paid on the
24 gross receipts derived from the use of the commercial,
25 coin-operated amusement and vending machines. This paragraph
26 is exempt from the provisions of Section 3-75.

1 (23) Beginning August 23, 2001 and through June 30, 2016
2 ~~June 30, 2011~~, food for human consumption that is to be
3 consumed off the premises where it is sold (other than
4 alcoholic beverages, soft drinks, and food that has been
5 prepared for immediate consumption) and prescription and
6 nonprescription medicines, drugs, medical appliances, and
7 insulin, urine testing materials, syringes, and needles used by
8 diabetics, for human use, when purchased for use by a person
9 receiving medical assistance under Article V of the Illinois
10 Public Aid Code who resides in a licensed long-term care
11 facility, as defined in the Nursing Home Care Act, or in a
12 licensed facility as defined in the ID/DD Community Care Act or
13 the Specialized Mental Health Rehabilitation Act.

14 (24) Beginning on the effective date of this amendatory Act
15 of the 92nd General Assembly, computers and communications
16 equipment utilized for any hospital purpose and equipment used
17 in the diagnosis, analysis, or treatment of hospital patients
18 purchased by a lessor who leases the equipment, under a lease
19 of one year or longer executed or in effect at the time the
20 lessor would otherwise be subject to the tax imposed by this
21 Act, to a hospital that has been issued an active tax exemption
22 identification number by the Department under Section 1g of the
23 Retailers' Occupation Tax Act. If the equipment is leased in a
24 manner that does not qualify for this exemption or is used in
25 any other nonexempt manner, the lessor shall be liable for the
26 tax imposed under this Act or the Use Tax Act, as the case may

1 be, based on the fair market value of the property at the time
2 the nonqualifying use occurs. No lessor shall collect or
3 attempt to collect an amount (however designated) that purports
4 to reimburse that lessor for the tax imposed by this Act or the
5 Use Tax Act, as the case may be, if the tax has not been paid by
6 the lessor. If a lessor improperly collects any such amount
7 from the lessee, the lessee shall have a legal right to claim a
8 refund of that amount from the lessor. If, however, that amount
9 is not refunded to the lessee for any reason, the lessor is
10 liable to pay that amount to the Department. This paragraph is
11 exempt from the provisions of Section 3-75.

12 (25) Beginning on the effective date of this amendatory Act
13 of the 92nd General Assembly, personal property purchased by a
14 lessor who leases the property, under a lease of one year or
15 longer executed or in effect at the time the lessor would
16 otherwise be subject to the tax imposed by this Act, to a
17 governmental body that has been issued an active tax exemption
18 identification number by the Department under Section 1g of the
19 Retailers' Occupation Tax Act. If the property is leased in a
20 manner that does not qualify for this exemption or is used in
21 any other nonexempt manner, the lessor shall be liable for the
22 tax imposed under this Act or the Use Tax Act, as the case may
23 be, based on the fair market value of the property at the time
24 the nonqualifying use occurs. No lessor shall collect or
25 attempt to collect an amount (however designated) that purports
26 to reimburse that lessor for the tax imposed by this Act or the

1 Use Tax Act, as the case may be, if the tax has not been paid by
2 the lessor. If a lessor improperly collects any such amount
3 from the lessee, the lessee shall have a legal right to claim a
4 refund of that amount from the lessor. If, however, that amount
5 is not refunded to the lessee for any reason, the lessor is
6 liable to pay that amount to the Department. This paragraph is
7 exempt from the provisions of Section 3-75.

8 (26) Beginning January 1, 2008, tangible personal property
9 used in the construction or maintenance of a community water
10 supply, as defined under Section 3.145 of the Environmental
11 Protection Act, that is operated by a not-for-profit
12 corporation that holds a valid water supply permit issued under
13 Title IV of the Environmental Protection Act. This paragraph is
14 exempt from the provisions of Section 3-75.

15 (27) Beginning January 1, 2010, materials, parts,
16 equipment, components, and furnishings incorporated into or
17 upon an aircraft as part of the modification, refurbishment,
18 completion, replacement, repair, or maintenance of the
19 aircraft. This exemption includes consumable supplies used in
20 the modification, refurbishment, completion, replacement,
21 repair, and maintenance of aircraft, but excludes any
22 materials, parts, equipment, components, and consumable
23 supplies used in the modification, replacement, repair, and
24 maintenance of aircraft engines or power plants, whether such
25 engines or power plants are installed or uninstalled upon any
26 such aircraft. "Consumable supplies" include, but are not

1 limited to, adhesive, tape, sandpaper, general purpose
2 lubricants, cleaning solution, latex gloves, and protective
3 films. This exemption applies only to those organizations that
4 (i) hold an Air Agency Certificate and are empowered to operate
5 an approved repair station by the Federal Aviation
6 Administration, (ii) have a Class IV Rating, and (iii) conduct
7 operations in accordance with Part 145 of the Federal Aviation
8 Regulations. The exemption does not include aircraft operated
9 by a commercial air carrier providing scheduled passenger air
10 service pursuant to authority issued under Part 121 or Part 129
11 of the Federal Aviation Regulations.

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

26 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;

1 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
2 7-2-10; 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431, eff.
3 8-16-11; revised 9-12-11.)

4 (35 ILCS 110/3-10) (from Ch. 120, par. 439.33-10)

5 Sec. 3-10. Rate of tax. Unless otherwise provided in this
6 Section, the tax imposed by this Act is at the rate of 6.25% of
7 the selling price of tangible personal property transferred as
8 an incident to the sale of service, but, for the purpose of
9 computing this tax, in no event shall the selling price be less
10 than the cost price of the property to the serviceman.

11 Beginning on July 1, 2000 and through December 31, 2000,
12 with respect to motor fuel, as defined in Section 1.1 of the
13 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
14 the Use Tax Act, the tax is imposed at the rate of 1.25%.

15 With respect to gasohol, as defined in the Use Tax Act, the
16 tax imposed by this Act applies to (i) 70% of the selling price
17 of property transferred as an incident to the sale of service
18 on or after January 1, 1990, and before July 1, 2003, (ii) 80%
19 of the selling price of property transferred as an incident to
20 the sale of service on or after July 1, 2003 and on or before
21 December 31, 2018 ~~2013~~, and (iii) 100% of the selling price
22 thereafter. If, at any time, however, the tax under this Act on
23 sales of gasohol, as defined in the Use Tax Act, is imposed at
24 the rate of 1.25%, then the tax imposed by this Act applies to
25 100% of the proceeds of sales of gasohol made during that time.

1 With respect to majority blended ethanol fuel, as defined
2 in the Use Tax Act, the tax imposed by this Act does not apply
3 to the selling price of property transferred as an incident to
4 the sale of service on or after July 1, 2003 and on or before
5 December 31, 2018 ~~2013~~ but applies to 100% of the selling price
6 thereafter.

7 With respect to biodiesel blends, as defined in the Use Tax
8 Act, with no less than 1% and no more than 10% biodiesel, the
9 tax imposed by this Act applies to (i) 80% of the selling price
10 of property transferred as an incident to the sale of service
11 on or after July 1, 2003 and on or before December 31, 2018
12 ~~2013~~ and (ii) 100% of the proceeds of the selling price
13 thereafter. If, at any time, however, the tax under this Act on
14 sales of biodiesel blends, as defined in the Use Tax Act, with
15 no less than 1% and no more than 10% biodiesel is imposed at
16 the rate of 1.25%, then the tax imposed by this Act applies to
17 100% of the proceeds of sales of biodiesel blends with no less
18 than 1% and no more than 10% biodiesel made during that time.

19 With respect to 100% biodiesel, as defined in the Use Tax
20 Act, and biodiesel blends, as defined in the Use Tax Act, with
21 more than 10% but no more than 99% biodiesel, the tax imposed
22 by this Act does not apply to the proceeds of the selling price
23 of property transferred as an incident to the sale of service
24 on or after July 1, 2003 and on or before December 31, 2018
25 ~~2013~~ but applies to 100% of the selling price thereafter.

26 At the election of any registered serviceman made for each

1 fiscal year, sales of service in which the aggregate annual
2 cost price of tangible personal property transferred as an
3 incident to the sales of service is less than 35%, or 75% in
4 the case of servicemen transferring prescription drugs or
5 servicemen engaged in graphic arts production, of the aggregate
6 annual total gross receipts from all sales of service, the tax
7 imposed by this Act shall be based on the serviceman's cost
8 price of the tangible personal property transferred as an
9 incident to the sale of those services.

10 The tax shall be imposed at the rate of 1% on food prepared
11 for immediate consumption and transferred incident to a sale of
12 service subject to this Act or the Service Occupation Tax Act
13 by an entity licensed under the Hospital Licensing Act, the
14 Nursing Home Care Act, the ID/DD Community Care Act, the
15 Specialized Mental Health Rehabilitation Act, or the Child Care
16 Act of 1969. The tax shall also be imposed at the rate of 1% on
17 food for human consumption that is to be consumed off the
18 premises where it is sold (other than alcoholic beverages, soft
19 drinks, and food that has been prepared for immediate
20 consumption and is not otherwise included in this paragraph)
21 and prescription and nonprescription medicines, drugs, medical
22 appliances, modifications to a motor vehicle for the purpose of
23 rendering it usable by a disabled person, and insulin, urine
24 testing materials, syringes, and needles used by diabetics, for
25 human use. For the purposes of this Section, until September 1,
26 2009: the term "soft drinks" means any complete, finished,

1 ready-to-use, non-alcoholic drink, whether carbonated or not,
2 including but not limited to soda water, cola, fruit juice,
3 vegetable juice, carbonated water, and all other preparations
4 commonly known as soft drinks of whatever kind or description
5 that are contained in any closed or sealed bottle, can, carton,
6 or container, regardless of size; but "soft drinks" does not
7 include coffee, tea, non-carbonated water, infant formula,
8 milk or milk products as defined in the Grade A Pasteurized
9 Milk and Milk Products Act, or drinks containing 50% or more
10 natural fruit or vegetable juice.

11 Notwithstanding any other provisions of this Act,
12 beginning September 1, 2009, "soft drinks" means non-alcoholic
13 beverages that contain natural or artificial sweeteners. "Soft
14 drinks" do not include beverages that contain milk or milk
15 products, soy, rice or similar milk substitutes, or greater
16 than 50% of vegetable or fruit juice by volume.

17 Until August 1, 2009, and notwithstanding any other
18 provisions of this Act, "food for human consumption that is to
19 be consumed off the premises where it is sold" includes all
20 food sold through a vending machine, except soft drinks and
21 food products that are dispensed hot from a vending machine,
22 regardless of the location of the vending machine. Beginning
23 August 1, 2009, and notwithstanding any other provisions of
24 this Act, "food for human consumption that is to be consumed
25 off the premises where it is sold" includes all food sold
26 through a vending machine, except soft drinks, candy, and food

1 products that are dispensed hot from a vending machine,
2 regardless of the location of the vending machine.

3 Notwithstanding any other provisions of this Act,
4 beginning September 1, 2009, "food for human consumption that
5 is to be consumed off the premises where it is sold" does not
6 include candy. For purposes of this Section, "candy" means a
7 preparation of sugar, honey, or other natural or artificial
8 sweeteners in combination with chocolate, fruits, nuts or other
9 ingredients or flavorings in the form of bars, drops, or
10 pieces. "Candy" does not include any preparation that contains
11 flour or requires refrigeration.

12 Notwithstanding any other provisions of this Act,
13 beginning September 1, 2009, "nonprescription medicines and
14 drugs" does not include grooming and hygiene products. For
15 purposes of this Section, "grooming and hygiene products"
16 includes, but is not limited to, soaps and cleaning solutions,
17 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
18 lotions and screens, unless those products are available by
19 prescription only, regardless of whether the products meet the
20 definition of "over-the-counter-drugs". For the purposes of
21 this paragraph, "over-the-counter-drug" means a drug for human
22 use that contains a label that identifies the product as a drug
23 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
24 label includes:

25 (A) A "Drug Facts" panel; or

26 (B) A statement of the "active ingredient(s)" with a

1 list of those ingredients contained in the compound,
2 substance or preparation.

3 If the property that is acquired from a serviceman is
4 acquired outside Illinois and used outside Illinois before
5 being brought to Illinois for use here and is taxable under
6 this Act, the "selling price" on which the tax is computed
7 shall be reduced by an amount that represents a reasonable
8 allowance for depreciation for the period of prior out-of-state
9 use.

10 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,
11 eff. 7-13-09; 96-339, eff. 7-1-10; 96-1000, eff. 7-2-10; 97-38,
12 eff. 6-28-11; 97-227, eff. 1-1-12; revised 9-12-11.)

13 (35 ILCS 110/3-75)

14 Sec. 3-75. Sunset of exemptions, credits, and deductions.

15 (a) The application of every exemption, credit, and
16 deduction against tax imposed by this Act that becomes law
17 after the effective date of this amendatory Act of 1994 shall
18 be limited by a reasonable and appropriate sunset date. A
19 taxpayer is not entitled to take the exemption, credit, or
20 deduction beginning on the sunset date and thereafter. Except
21 as provided in subsection (b) of this Section, if ~~if~~ a
22 reasonable and appropriate sunset date is not specified in the
23 Public Act that creates the exemption, credit, or deduction, a
24 taxpayer shall not be entitled to take the exemption, credit,
25 or deduction beginning 5 years after the effective date of the

1 Public Act creating the exemption, credit, or deduction and
2 thereafter.

3 (b) Notwithstanding the provisions of subsection (a) of
4 this Section, the sunset date of any exemption, credit, or
5 deduction that is scheduled to expire in 2011, 2012, or 2013 by
6 operation of this Section shall be extended by 5 years.

7 (Source: P.A. 88-660, eff. 9-16-94; 89-235, eff. 8-4-95.)

8 Section 15-30. The Service Occupation Tax Act is amended by
9 changing Sections 3-5, 3-10, and 3-55 as follows:

10 (35 ILCS 115/3-5)

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

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

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

23 (3) Personal property purchased by any not-for-profit arts
24 or cultural organization that establishes, by proof required by

1 the Department by rule, that it has received an exemption under
2 Section 501(c)(3) of the Internal Revenue Code and that is
3 organized and operated primarily for the presentation or
4 support of arts or cultural programming, activities, or
5 services. These organizations include, but are not limited to,
6 music and dramatic arts organizations such as symphony
7 orchestras and theatrical groups, arts and cultural service
8 organizations, local arts councils, visual arts organizations,
9 and media arts organizations. On and after the effective date
10 of this amendatory Act of the 92nd General Assembly, however,
11 an entity otherwise eligible for this exemption shall not make
12 tax-free purchases unless it has an active identification
13 number issued by the Department.

14 (4) Legal tender, currency, medallions, or gold or silver
15 coinage issued by the State of Illinois, the government of the
16 United States of America, or the government of any foreign
17 country, and bullion.

18 (5) Until July 1, 2003 and beginning again on September 1,
19 2004 through August 30, 2014, graphic arts machinery and
20 equipment, including repair and replacement parts, both new and
21 used, and including that manufactured on special order or
22 purchased for lease, certified by the purchaser to be used
23 primarily for graphic arts production. Equipment includes
24 chemicals or chemicals acting as catalysts but only if the
25 chemicals or chemicals acting as catalysts effect a direct and
26 immediate change upon a graphic arts product.

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

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

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

1 or spreaders. Precision farming equipment includes, but is not
2 limited to, soil testing sensors, computers, monitors,
3 software, global positioning and mapping systems, and other
4 such equipment.

5 Farm machinery and equipment also includes computers,
6 sensors, software, and related equipment used primarily in the
7 computer-assisted operation of production agriculture
8 facilities, equipment, and activities such as, but not limited
9 to, the collection, monitoring, and correlation of animal and
10 crop data for the purpose of formulating animal diets and
11 agricultural chemicals. This item (7) is exempt from the
12 provisions of Section 3-55.

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

20 (9) Proceeds of mandatory service charges separately
21 stated on customers' bills for the purchase and consumption of
22 food and beverages, to the extent that the proceeds of the
23 service charge are in fact turned over as tips or as a
24 substitute for tips to the employees who participate directly
25 in preparing, serving, hosting or cleaning up the food or
26 beverage function with respect to which the service charge is

1 imposed.

2 (10) Until July 1, 2003, oil field exploration, drilling,
3 and production equipment, including (i) rigs and parts of rigs,
4 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
5 tubular goods, including casing and drill strings, (iii) pumps
6 and pump-jack units, (iv) storage tanks and flow lines, (v) any
7 individual replacement part for oil field exploration,
8 drilling, and production equipment, and (vi) machinery and
9 equipment purchased for lease; but excluding motor vehicles
10 required to be registered under the Illinois Vehicle Code.

11 (11) Photoprocessing machinery and equipment, including
12 repair and replacement parts, both new and used, including that
13 manufactured on special order, certified by the purchaser to be
14 used primarily for photoprocessing, and including
15 photoprocessing machinery and equipment purchased for lease.

16 (12) Until July 1, 2003, coal exploration, mining,
17 offhighway hauling, processing, maintenance, and reclamation
18 equipment, including replacement parts and equipment, and
19 including equipment purchased for lease, but excluding motor
20 vehicles required to be registered under the Illinois Vehicle
21 Code.

22 (13) Beginning January 1, 1992 and through June 30, 2016
23 ~~June 30, 2011~~, food for human consumption that is to be
24 consumed off the premises where it is sold (other than
25 alcoholic beverages, soft drinks and food that has been
26 prepared for immediate consumption) and prescription and

1 non-prescription medicines, drugs, medical appliances, and
2 insulin, urine testing materials, syringes, and needles used by
3 diabetics, for human use, when purchased for use by a person
4 receiving medical assistance under Article V of the Illinois
5 Public Aid Code who resides in a licensed long-term care
6 facility, as defined in the Nursing Home Care Act, or in a
7 licensed facility as defined in the ID/DD Community Care Act or
8 the Specialized Mental Health Rehabilitation Act.

9 (14) Semen used for artificial insemination of livestock
10 for direct agricultural production.

11 (15) Horses, or interests in horses, registered with and
12 meeting the requirements of any of the Arabian Horse Club
13 Registry of America, Appaloosa Horse Club, American Quarter
14 Horse Association, United States Trotting Association, or
15 Jockey Club, as appropriate, used for purposes of breeding or
16 racing for prizes. This item (15) is exempt from the provisions
17 of Section 3-55, and the exemption provided for under this item
18 (15) applies for all periods beginning May 30, 1995, but no
19 claim for credit or refund is allowed on or after January 1,
20 2008 (the effective date of Public Act 95-88) for such taxes
21 paid during the period beginning May 30, 2000 and ending on
22 January 1, 2008 (the effective date of Public Act 95-88).

23 (16) Computers and communications equipment utilized for
24 any hospital purpose and equipment used in the diagnosis,
25 analysis, or treatment of hospital patients sold to a lessor
26 who leases the equipment, under a lease of one year or longer

1 executed or in effect at the time of the purchase, to a
2 hospital that has been issued an active tax exemption
3 identification number by the Department under Section 1g of the
4 Retailers' Occupation Tax Act.

5 (17) Personal property sold to a lessor who leases the
6 property, under a lease of one year or longer executed or in
7 effect at the time of the purchase, to a governmental body that
8 has been issued an active tax exemption identification number
9 by the Department under Section 1g of the Retailers' Occupation
10 Tax Act.

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

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

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

7 (20) Beginning July 1, 1999, game or game birds sold at a
8 "game breeding and hunting preserve area" as that term is used
9 in the Wildlife Code. This paragraph is exempt from the
10 provisions of Section 3-55.

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

1 follow a trade or to pursue a manual, technical, mechanical,
2 industrial, business, or commercial occupation.

3 (22) Beginning January 1, 2000, personal property,
4 including food, purchased through fundraising events for the
5 benefit of a public or private elementary or secondary school,
6 a group of those schools, or one or more school districts if
7 the events are sponsored by an entity recognized by the school
8 district that consists primarily of volunteers and includes
9 parents and teachers of the school children. This paragraph
10 does not apply to fundraising events (i) for the benefit of
11 private home instruction or (ii) for which the fundraising
12 entity purchases the personal property sold at the events from
13 another individual or entity that sold the property for the
14 purpose of resale by the fundraising entity and that profits
15 from the sale to the fundraising entity. This paragraph is
16 exempt from the provisions of Section 3-55.

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

1 (24) Beginning on the effective date of this amendatory Act
2 of the 92nd General Assembly, computers and communications
3 equipment utilized for any hospital purpose and equipment used
4 in the diagnosis, analysis, or treatment of hospital patients
5 sold to a lessor who leases the equipment, under a lease of one
6 year or longer executed or in effect at the time of the
7 purchase, to a hospital that has been issued an active tax
8 exemption identification number by the Department under
9 Section 1g of the Retailers' Occupation Tax Act. This paragraph
10 is exempt from the provisions of Section 3-55.

11 (25) Beginning on the effective date of this amendatory Act
12 of the 92nd General Assembly, personal property sold to a
13 lessor who leases the property, under a lease of one year or
14 longer executed or in effect at the time of the purchase, to a
15 governmental body that has been issued an active tax exemption
16 identification number by the Department under Section 1g of the
17 Retailers' Occupation Tax Act. This paragraph is exempt from
18 the provisions of Section 3-55.

19 (26) Beginning on January 1, 2002 and through June 30,
20 2016, tangible personal property purchased from an Illinois
21 retailer by a taxpayer engaged in centralized purchasing
22 activities in Illinois who will, upon receipt of the property
23 in Illinois, temporarily store the property in Illinois (i) for
24 the purpose of subsequently transporting it outside this State
25 for use or consumption thereafter solely outside this State or
26 (ii) for the purpose of being processed, fabricated, or

1 manufactured into, attached to, or incorporated into other
2 tangible personal property to be transported outside this State
3 and thereafter used or consumed solely outside this State. The
4 Director of Revenue shall, pursuant to rules adopted in
5 accordance with the Illinois Administrative Procedure Act,
6 issue a permit to any taxpayer in good standing with the
7 Department who is eligible for the exemption under this
8 paragraph (26). The permit issued under this paragraph (26)
9 shall authorize the holder, to the extent and in the manner
10 specified in the rules adopted under this Act, to purchase
11 tangible personal property from a retailer exempt from the
12 taxes imposed by this Act. Taxpayers shall maintain all
13 necessary books and records to substantiate the use and
14 consumption of all such tangible personal property outside of
15 the State of Illinois.

16 (27) Beginning January 1, 2008, tangible personal property
17 used in the construction or maintenance of a community water
18 supply, as defined under Section 3.145 of the Environmental
19 Protection Act, that is operated by a not-for-profit
20 corporation that holds a valid water supply permit issued under
21 Title IV of the Environmental Protection Act. This paragraph is
22 exempt from the provisions of Section 3-55.

23 (28) Tangible personal property sold to a
24 public-facilities corporation, as described in Section
25 11-65-10 of the Illinois Municipal Code, for purposes of
26 constructing or furnishing a municipal convention hall, but

1 only if the legal title to the municipal convention hall is
2 transferred to the municipality without any further
3 consideration by or on behalf of the municipality at the time
4 of the completion of the municipal convention hall or upon the
5 retirement or redemption of any bonds or other debt instruments
6 issued by the public-facilities corporation in connection with
7 the development of the municipal convention hall. This
8 exemption includes existing public-facilities corporations as
9 provided in Section 11-65-25 of the Illinois Municipal Code.
10 This paragraph is exempt from the provisions of Section 3-55.

11 (29) Beginning January 1, 2010, materials, parts,
12 equipment, components, and furnishings incorporated into or
13 upon an aircraft as part of the modification, refurbishment,
14 completion, replacement, repair, or maintenance of the
15 aircraft. This exemption includes consumable supplies used in
16 the modification, refurbishment, completion, replacement,
17 repair, and maintenance of aircraft, but excludes any
18 materials, parts, equipment, components, and consumable
19 supplies used in the modification, replacement, repair, and
20 maintenance of aircraft engines or power plants, whether such
21 engines or power plants are installed or uninstalled upon any
22 such aircraft. "Consumable supplies" include, but are not
23 limited to, adhesive, tape, sandpaper, general purpose
24 lubricants, cleaning solution, latex gloves, and protective
25 films. This exemption applies only to those organizations that
26 (i) hold an Air Agency Certificate and are empowered to operate

1 an approved repair station by the Federal Aviation
2 Administration, (ii) have a Class IV Rating, and (iii) conduct
3 operations in accordance with Part 145 of the Federal Aviation
4 Regulations. The exemption does not include aircraft operated
5 by a commercial air carrier providing scheduled passenger air
6 service pursuant to authority issued under Part 121 or Part 129
7 of the Federal Aviation Regulations.

8 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
9 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
10 7-2-10; 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227, eff.
11 1-1-12; 97-431, eff. 8-16-11; revised 9-12-11.)

12 (35 ILCS 115/3-10) (from Ch. 120, par. 439.103-10)

13 Sec. 3-10. Rate of tax. Unless otherwise provided in this
14 Section, the tax imposed by this Act is at the rate of 6.25% of
15 the "selling price", as defined in Section 2 of the Service Use
16 Tax Act, of the tangible personal property. For the purpose of
17 computing this tax, in no event shall the "selling price" be
18 less than the cost price to the serviceman of the tangible
19 personal property transferred. The selling price of each item
20 of tangible personal property transferred as an incident of a
21 sale of service may be shown as a distinct and separate item on
22 the serviceman's billing to the service customer. If the
23 selling price is not so shown, the selling price of the
24 tangible personal property is deemed to be 50% of the
25 serviceman's entire billing to the service customer. When,

1 however, a serviceman contracts to design, develop, and produce
2 special order machinery or equipment, the tax imposed by this
3 Act shall be based on the serviceman's cost price of the
4 tangible personal property transferred incident to the
5 completion of the contract.

6 Beginning on July 1, 2000 and through December 31, 2000,
7 with respect to motor fuel, as defined in Section 1.1 of the
8 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
9 the Use Tax Act, the tax is imposed at the rate of 1.25%.

10 With respect to gasohol, as defined in the Use Tax Act, the
11 tax imposed by this Act shall apply to (i) 70% of the cost
12 price of property transferred as an incident to the sale of
13 service on or after January 1, 1990, and before July 1, 2003,
14 (ii) 80% of the selling price of property transferred as an
15 incident to the sale of service on or after July 1, 2003 and on
16 or before December 31, 2018 ~~2013~~, and (iii) 100% of the cost
17 price thereafter. If, at any time, however, the tax under this
18 Act on sales of gasohol, as defined in the Use Tax Act, is
19 imposed at the rate of 1.25%, then the tax imposed by this Act
20 applies to 100% of the proceeds of sales of gasohol made during
21 that time.

22 With respect to majority blended ethanol fuel, as defined
23 in the Use Tax Act, the tax imposed by this Act does not apply
24 to the selling price of property transferred as an incident to
25 the sale of service on or after July 1, 2003 and on or before
26 December 31, 2018 ~~2013~~ but applies to 100% of the selling price

1 thereafter.

2 With respect to biodiesel blends, as defined in the Use Tax
3 Act, with no less than 1% and no more than 10% biodiesel, the
4 tax imposed by this Act applies to (i) 80% of the selling price
5 of property transferred as an incident to the sale of service
6 on or after July 1, 2003 and on or before December 31, 2018
7 ~~2013~~ and (ii) 100% of the proceeds of the selling price
8 thereafter. If, at any time, however, the tax under this Act on
9 sales of biodiesel blends, as defined in the Use Tax Act, with
10 no less than 1% and no more than 10% biodiesel is imposed at
11 the rate of 1.25%, then the tax imposed by this Act applies to
12 100% of the proceeds of sales of biodiesel blends with no less
13 than 1% and no more than 10% biodiesel made during that time.

14 With respect to 100% biodiesel, as defined in the Use Tax
15 Act, and biodiesel blends, as defined in the Use Tax Act, with
16 more than 10% but no more than 99% biodiesel material, the tax
17 imposed by this Act does not apply to the proceeds of the
18 selling price of property transferred as an incident to the
19 sale of service on or after July 1, 2003 and on or before
20 December 31, 2018 ~~2013~~ but applies to 100% of the selling price
21 thereafter.

22 At the election of any registered serviceman made for each
23 fiscal year, sales of service in which the aggregate annual
24 cost price of tangible personal property transferred as an
25 incident to the sales of service is less than 35%, or 75% in
26 the case of servicemen transferring prescription drugs or

1 servicemen engaged in graphic arts production, of the aggregate
2 annual total gross receipts from all sales of service, the tax
3 imposed by this Act shall be based on the serviceman's cost
4 price of the tangible personal property transferred incident to
5 the sale of those services.

6 The tax shall be imposed at the rate of 1% on food prepared
7 for immediate consumption and transferred incident to a sale of
8 service subject to this Act or the Service Occupation Tax Act
9 by an entity licensed under the Hospital Licensing Act, the
10 Nursing Home Care Act, the ID/DD Community Care Act, the
11 Specialized Mental Health Rehabilitation Act, or the Child Care
12 Act of 1969. The tax shall also be imposed at the rate of 1% on
13 food for human consumption that is to be consumed off the
14 premises where it is sold (other than alcoholic beverages, soft
15 drinks, and food that has been prepared for immediate
16 consumption and is not otherwise included in this paragraph)
17 and prescription and nonprescription medicines, drugs, medical
18 appliances, modifications to a motor vehicle for the purpose of
19 rendering it usable by a disabled person, and insulin, urine
20 testing materials, syringes, and needles used by diabetics, for
21 human use. For the purposes of this Section, until September 1,
22 2009: the term "soft drinks" means any complete, finished,
23 ready-to-use, non-alcoholic drink, whether carbonated or not,
24 including but not limited to soda water, cola, fruit juice,
25 vegetable juice, carbonated water, and all other preparations
26 commonly known as soft drinks of whatever kind or description

1 that are contained in any closed or sealed can, carton, or
2 container, regardless of size; but "soft drinks" does not
3 include coffee, tea, non-carbonated water, infant formula,
4 milk or milk products as defined in the Grade A Pasteurized
5 Milk and Milk Products Act, or drinks containing 50% or more
6 natural fruit or vegetable juice.

7 Notwithstanding any other provisions of this Act,
8 beginning September 1, 2009, "soft drinks" means non-alcoholic
9 beverages that contain natural or artificial sweeteners. "Soft
10 drinks" do not include beverages that contain milk or milk
11 products, soy, rice or similar milk substitutes, or greater
12 than 50% of vegetable or fruit juice by volume.

13 Until August 1, 2009, and notwithstanding any other
14 provisions of this Act, "food for human consumption that is to
15 be consumed off the premises where it is sold" includes all
16 food sold through a vending machine, except soft drinks and
17 food products that are dispensed hot from a vending machine,
18 regardless of the location of the vending machine. Beginning
19 August 1, 2009, and notwithstanding any other provisions of
20 this Act, "food for human consumption that is to be consumed
21 off the premises where it is sold" includes all food sold
22 through a vending machine, except soft drinks, candy, and food
23 products that are dispensed hot from a vending machine,
24 regardless of the location of the vending machine.

25 Notwithstanding any other provisions of this Act,
26 beginning September 1, 2009, "food for human consumption that

1 is to be consumed off the premises where it is sold" does not
2 include candy. For purposes of this Section, "candy" means a
3 preparation of sugar, honey, or other natural or artificial
4 sweeteners in combination with chocolate, fruits, nuts or other
5 ingredients or flavorings in the form of bars, drops, or
6 pieces. "Candy" does not include any preparation that contains
7 flour or requires refrigeration.

8 Notwithstanding any other provisions of this Act,
9 beginning September 1, 2009, "nonprescription medicines and
10 drugs" does not include grooming and hygiene products. For
11 purposes of this Section, "grooming and hygiene products"
12 includes, but is not limited to, soaps and cleaning solutions,
13 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
14 lotions and screens, unless those products are available by
15 prescription only, regardless of whether the products meet the
16 definition of "over-the-counter-drugs". For the purposes of
17 this paragraph, "over-the-counter-drug" means a drug for human
18 use that contains a label that identifies the product as a drug
19 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
20 label includes:

21 (A) A "Drug Facts" panel; or

22 (B) A statement of the "active ingredient(s)" with a
23 list of those ingredients contained in the compound,
24 substance or preparation.

25 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,
26 eff. 7-13-09; 96-339, eff. 7-1-10; 96-1000, eff. 7-2-10; 97-38,

1 eff. 6-28-11; 97-227, eff. 1-1-12; revised 9-12-11.)

2 (35 ILCS 115/3-55)

3 Sec. 3-55. Sunset of exemptions, credits, and deductions.

4 (a) The application of every exemption, credit, and
5 deduction against tax imposed by this Act that becomes law
6 after the effective date of this amendatory Act of 1994 shall
7 be limited by a reasonable and appropriate sunset date. A
8 taxpayer is not entitled to take the exemption, credit, or
9 deduction beginning on the sunset date and thereafter. Except
10 as provided in subsection (b) of this Section, if ~~if~~ a
11 reasonable and appropriate sunset date is not specified in the
12 Public Act that creates the exemption, credit, or deduction, a
13 taxpayer shall not be entitled to take the exemption, credit,
14 or deduction beginning 5 years after the effective date of the
15 Public Act creating the exemption, credit, or deduction and
16 thereafter.

17 (b) Notwithstanding the provisions of subsection (a) of
18 this Section, the sunset date of any exemption, credit, or
19 deduction that is scheduled to expire in 2011, 2012, or 2013 by
20 operation of this Section shall be extended by 5 years.

21 (Source: P.A. 88-660, eff. 9-16-94.)

22 Section 15-35. The Retailers' Occupation Tax Act is amended
23 by changing Sections 2-5, 2-10, and 2-70 as follows:

1 (35 ILCS 120/2-5)

2 Sec. 2-5. Exemptions. Gross receipts from proceeds from the
3 sale of the following tangible personal property are exempt
4 from the tax imposed by this Act:

5 (1) Farm chemicals.

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

25 Farm machinery and equipment shall include precision
26 farming equipment that is installed or purchased to be

1 installed on farm machinery and equipment including, but not
2 limited to, tractors, harvesters, sprayers, planters, seeders,
3 or spreaders. Precision farming equipment includes, but is not
4 limited to, soil testing sensors, computers, monitors,
5 software, global positioning and mapping systems, and other
6 such equipment.

7 Farm machinery and equipment also includes computers,
8 sensors, software, and related equipment used primarily in the
9 computer-assisted operation of production agriculture
10 facilities, equipment, and activities such as, but not limited
11 to, the collection, monitoring, and correlation of animal and
12 crop data for the purpose of formulating animal diets and
13 agricultural chemicals. This item (2) ~~(7)~~ is exempt from the
14 provisions of Section 2-70.

15 (3) Until July 1, 2003, distillation machinery and
16 equipment, sold as a unit or kit, assembled or installed by the
17 retailer, certified by the user to be used only for the
18 production of ethyl alcohol that will be used for consumption
19 as motor fuel or as a component of motor fuel for the personal
20 use of the user, and not subject to sale or resale.

21 (4) Until July 1, 2003 and beginning again September 1,
22 2004 through August 30, 2014, graphic arts machinery and
23 equipment, including repair and replacement parts, both new and
24 used, and including that manufactured on special order or
25 purchased for lease, certified by the purchaser to be used
26 primarily for graphic arts production. Equipment includes

1 chemicals or chemicals acting as catalysts but only if the
2 chemicals or chemicals acting as catalysts effect a direct and
3 immediate change upon a graphic arts product.

4 (5) A motor vehicle of the first division, a motor vehicle
5 of the second division that is a self contained motor vehicle
6 designed or permanently converted to provide living quarters
7 for recreational, camping, or travel use, with direct walk
8 through access to the living quarters from the driver's seat,
9 or a motor vehicle of the second division that is of the van
10 configuration designed for the transportation of not less than
11 7 nor more than 16 passengers, as defined in Section 1-146 of
12 the Illinois Vehicle Code, that is used for automobile renting,
13 as defined in the Automobile Renting Occupation and Use Tax
14 Act. This paragraph is exempt from the provisions of Section
15 2-70.

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

19 (7) Until July 1, 2003, proceeds of that portion of the
20 selling price of a passenger car the sale of which is subject
21 to the Replacement Vehicle Tax.

22 (8) Personal property sold to an Illinois county fair
23 association for use in conducting, operating, or promoting the
24 county fair.

25 (9) Personal property sold to a not-for-profit arts or
26 cultural organization that establishes, by proof required by

1 the Department by rule, that it has received an exemption under
2 Section 501(c)(3) of the Internal Revenue Code and that is
3 organized and operated primarily for the presentation or
4 support of arts or cultural programming, activities, or
5 services. These organizations include, but are not limited to,
6 music and dramatic arts organizations such as symphony
7 orchestras and theatrical groups, arts and cultural service
8 organizations, local arts councils, visual arts organizations,
9 and media arts organizations. On and after the effective date
10 of this amendatory Act of the 92nd General Assembly, however,
11 an entity otherwise eligible for this exemption shall not make
12 tax-free purchases unless it has an active identification
13 number issued by the Department.

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

21 (11) Personal property sold to a governmental body, to a
22 corporation, society, association, foundation, or institution
23 organized and operated exclusively for charitable, religious,
24 or educational purposes, or to a not-for-profit corporation,
25 society, association, foundation, institution, or organization
26 that has no compensated officers or employees and that is

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

9 (12) Tangible personal property sold to interstate
10 carriers for hire for use as rolling stock moving in interstate
11 commerce or to lessors under leases of one year or longer
12 executed or in effect at the time of purchase by interstate
13 carriers for hire for use as rolling stock moving in interstate
14 commerce and equipment operated by a telecommunications
15 provider, licensed as a common carrier by the Federal
16 Communications Commission, which is permanently installed in
17 or affixed to aircraft moving in interstate commerce.

18 (12-5) On and after July 1, 2003 and through June 30, 2004,
19 motor vehicles of the second division with a gross vehicle
20 weight in excess of 8,000 pounds that are subject to the
21 commercial distribution fee imposed under Section 3-815.1 of
22 the Illinois Vehicle Code. Beginning on July 1, 2004 and
23 through June 30, 2005, the use in this State of motor vehicles
24 of the second division: (i) with a gross vehicle weight rating
25 in excess of 8,000 pounds; (ii) that are subject to the
26 commercial distribution fee imposed under Section 3-815.1 of

1 the Illinois Vehicle Code; and (iii) that are primarily used
2 for commercial purposes. Through June 30, 2005, this exemption
3 applies to repair and replacement parts added after the initial
4 purchase of such a motor vehicle if that motor vehicle is used
5 in a manner that would qualify for the rolling stock exemption
6 otherwise provided for in this Act. For purposes of this
7 paragraph, "used for commercial purposes" means the
8 transportation of persons or property in furtherance of any
9 commercial or industrial enterprise whether for-hire or not.

10 (13) Proceeds from sales to owners, lessors, or shippers of
11 tangible personal property that is utilized by interstate
12 carriers for hire for use as rolling stock moving in interstate
13 commerce and equipment operated by a telecommunications
14 provider, licensed as a common carrier by the Federal
15 Communications Commission, which is permanently installed in
16 or affixed to aircraft moving in interstate commerce.

17 (14) Machinery and equipment that will be used by the
18 purchaser, or a lessee of the purchaser, primarily in the
19 process of manufacturing or assembling tangible personal
20 property for wholesale or retail sale or lease, whether the
21 sale or lease is made directly by the manufacturer or by some
22 other person, whether the materials used in the process are
23 owned by the manufacturer or some other person, or whether the
24 sale or lease is made apart from or as an incident to the
25 seller's engaging in the service occupation of producing
26 machines, tools, dies, jigs, patterns, gauges, or other similar

1 items of no commercial value on special order for a particular
2 purchaser.

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

10 (16) Petroleum products sold to a purchaser if the seller
11 is prohibited by federal law from charging tax to the
12 purchaser.

13 (17) Tangible personal property sold to a common carrier by
14 rail or motor that receives the physical possession of the
15 property in Illinois and that transports the property, or
16 shares with another common carrier in the transportation of the
17 property, out of Illinois on a standard uniform bill of lading
18 showing the seller of the property as the shipper or consignor
19 of the property to a destination outside Illinois, for use
20 outside Illinois.

21 (18) Legal tender, currency, medallions, or gold or silver
22 coinage issued by the State of Illinois, the government of the
23 United States of America, or the government of any foreign
24 country, and bullion.

25 (19) Until July 1 2003, oil field exploration, drilling,
26 and production equipment, including (i) rigs and parts of rigs,

1 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
2 tubular goods, including casing and drill strings, (iii) pumps
3 and pump-jack units, (iv) storage tanks and flow lines, (v) any
4 individual replacement part for oil field exploration,
5 drilling, and production equipment, and (vi) machinery and
6 equipment purchased for lease; but excluding motor vehicles
7 required to be registered under the Illinois Vehicle Code.

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

13 (21) Until July 1, 2003, coal exploration, mining,
14 offhighway hauling, processing, maintenance, and reclamation
15 equipment, including replacement parts and equipment, and
16 including equipment purchased for lease, but excluding motor
17 vehicles required to be registered under the Illinois Vehicle
18 Code.

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

25 (23) A transaction in which the purchase order is received
26 by a florist who is located outside Illinois, but who has a

1 florist located in Illinois deliver the property to the
2 purchaser or the purchaser's donee in Illinois.

3 (24) Fuel consumed or used in the operation of ships,
4 barges, or vessels that are used primarily in or for the
5 transportation of property or the conveyance of persons for
6 hire on rivers bordering on this State if the fuel is delivered
7 by the seller to the purchaser's barge, ship, or vessel while
8 it is afloat upon that bordering river.

9 (25) Except as provided in item (25-5) of this Section, a
10 motor vehicle sold in this State to a nonresident even though
11 the motor vehicle is delivered to the nonresident in this
12 State, if the motor vehicle is not to be titled in this State,
13 and if a drive-away permit is issued to the motor vehicle as
14 provided in Section 3-603 of the Illinois Vehicle Code or if
15 the nonresident purchaser has vehicle registration plates to
16 transfer to the motor vehicle upon returning to his or her home
17 state. The issuance of the drive-away permit or having the
18 out-of-state registration plates to be transferred is prima
19 facie evidence that the motor vehicle will not be titled in
20 this State.

21 (25-5) The exemption under item (25) does not apply if the
22 state in which the motor vehicle will be titled does not allow
23 a reciprocal exemption for a motor vehicle sold and delivered
24 in that state to an Illinois resident but titled in Illinois.
25 The tax collected under this Act on the sale of a motor vehicle
26 in this State to a resident of another state that does not

1 allow a reciprocal exemption shall be imposed at a rate equal
2 to the state's rate of tax on taxable property in the state in
3 which the purchaser is a resident, except that the tax shall
4 not exceed the tax that would otherwise be imposed under this
5 Act. At the time of the sale, the purchaser shall execute a
6 statement, signed under penalty of perjury, of his or her
7 intent to title the vehicle in the state in which the purchaser
8 is a resident within 30 days after the sale and of the fact of
9 the payment to the State of Illinois of tax in an amount
10 equivalent to the state's rate of tax on taxable property in
11 his or her state of residence and shall submit the statement to
12 the appropriate tax collection agency in his or her state of
13 residence. In addition, the retailer must retain a signed copy
14 of the statement in his or her records. Nothing in this item
15 shall be construed to require the removal of the vehicle from
16 this state following the filing of an intent to title the
17 vehicle in the purchaser's state of residence if the purchaser
18 titles the vehicle in his or her state of residence within 30
19 days after the date of sale. The tax collected under this Act
20 in accordance with this item (25-5) shall be proportionately
21 distributed as if the tax were collected at the 6.25% general
22 rate imposed under this Act.

23 (25-7) Beginning on July 1, 2007, no tax is imposed under
24 this Act on the sale of an aircraft, as defined in Section 3 of
25 the Illinois Aeronautics Act, if all of the following
26 conditions are met:

1 (1) the aircraft leaves this State within 15 days after
2 the later of either the issuance of the final billing for
3 the sale of the aircraft, or the authorized approval for
4 return to service, completion of the maintenance record
5 entry, and completion of the test flight and ground test
6 for inspection, as required by 14 C.F.R. 91.407;

7 (2) the aircraft is not based or registered in this
8 State after the sale of the aircraft; and

9 (3) the seller retains in his or her books and records
10 and provides to the Department a signed and dated
11 certification from the purchaser, on a form prescribed by
12 the Department, certifying that the requirements of this
13 item (25-7) are met. The certificate must also include the
14 name and address of the purchaser, the address of the
15 location where the aircraft is to be titled or registered,
16 the address of the primary physical location of the
17 aircraft, and other information that the Department may
18 reasonably require.

19 For purposes of this item (25-7):

20 "Based in this State" means hangared, stored, or otherwise
21 used, excluding post-sale customizations as defined in this
22 Section, for 10 or more days in each 12-month period
23 immediately following the date of the sale of the aircraft.

24 "Registered in this State" means an aircraft registered
25 with the Department of Transportation, Aeronautics Division,
26 or titled or registered with the Federal Aviation

1 Administration to an address located in this State.

2 This paragraph (25-7) is exempt from the provisions of
3 Section 2-70.

4 (26) Semen used for artificial insemination of livestock
5 for direct agricultural production.

6 (27) Horses, or interests in horses, registered with and
7 meeting the requirements of any of the Arabian Horse Club
8 Registry of America, Appaloosa Horse Club, American Quarter
9 Horse Association, United States Trotting Association, or
10 Jockey Club, as appropriate, used for purposes of breeding or
11 racing for prizes. This item (27) is exempt from the provisions
12 of Section 2-70, and the exemption provided for under this item
13 (27) applies for all periods beginning May 30, 1995, but no
14 claim for credit or refund is allowed on or after January 1,
15 2008 (the effective date of Public Act 95-88) for such taxes
16 paid during the period beginning May 30, 2000 and ending on
17 January 1, 2008 (the effective date of Public Act 95-88).

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

26 (29) Personal property sold to a lessor who leases the

1 property, under a lease of one year or longer executed or in
2 effect at the time of the purchase, to a governmental body that
3 has been issued an active tax exemption identification number
4 by the Department under Section 1g of this Act.

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

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

1 (32) Beginning July 1, 1999, game or game birds sold at a
2 "game breeding and hunting preserve area" as that term is used
3 in the Wildlife Code. This paragraph is exempt from the
4 provisions of Section 2-70.

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

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

1 the events are sponsored by an entity recognized by the school
2 district that consists primarily of volunteers and includes
3 parents and teachers of the school children. This paragraph
4 does not apply to fundraising events (i) for the benefit of
5 private home instruction or (ii) for which the fundraising
6 entity purchases the personal property sold at the events from
7 another individual or entity that sold the property for the
8 purpose of resale by the fundraising entity and that profits
9 from the sale to the fundraising entity. This paragraph is
10 exempt from the provisions of Section 2-70.

11 (35) Beginning January 1, 2000 and through December 31,
12 2001, new or used automatic vending machines that prepare and
13 serve hot food and beverages, including coffee, soup, and other
14 items, and replacement parts for these machines. Beginning
15 January 1, 2002 and through June 30, 2003, machines and parts
16 for machines used in commercial, coin-operated amusement and
17 vending business if a use or occupation tax is paid on the
18 gross receipts derived from the use of the commercial,
19 coin-operated amusement and vending machines. This paragraph
20 is exempt from the provisions of Section 2-70.

21 (35-5) Beginning August 23, 2001 and through June 30, 2016
22 ~~June 30, 2011~~, food for human consumption that is to be
23 consumed off the premises where it is sold (other than
24 alcoholic beverages, soft drinks, and food that has been
25 prepared for immediate consumption) and prescription and
26 nonprescription medicines, drugs, medical appliances, and

1 insulin, urine testing materials, syringes, and needles used by
2 diabetics, for human use, when purchased for use by a person
3 receiving medical assistance under Article V of the Illinois
4 Public Aid Code who resides in a licensed long-term care
5 facility, as defined in the Nursing Home Care Act, or a
6 licensed facility as defined in the ID/DD Community Care Act or
7 the Specialized Mental Health Rehabilitation Act.

8 (36) Beginning August 2, 2001, computers and
9 communications equipment utilized for any hospital purpose and
10 equipment used in the diagnosis, analysis, or treatment of
11 hospital patients sold to a lessor who leases the equipment,
12 under a lease of one year or longer executed or in effect at
13 the time of the purchase, to a hospital that has been issued an
14 active tax exemption identification number by the Department
15 under Section 1g of this Act. This paragraph is exempt from the
16 provisions of Section 2-70.

17 (37) Beginning August 2, 2001, personal property sold to a
18 lessor who leases the property, under a lease of one year or
19 longer executed or in effect at the time of the purchase, to a
20 governmental body that has been issued an active tax exemption
21 identification number by the Department under Section 1g of
22 this Act. This paragraph is exempt from the provisions of
23 Section 2-70.

24 (38) Beginning on January 1, 2002 and through June 30,
25 2016, tangible personal property purchased from an Illinois
26 retailer by a taxpayer engaged in centralized purchasing

1 activities in Illinois who will, upon receipt of the property
2 in Illinois, temporarily store the property in Illinois (i) for
3 the purpose of subsequently transporting it outside this State
4 for use or consumption thereafter solely outside this State or
5 (ii) for the purpose of being processed, fabricated, or
6 manufactured into, attached to, or incorporated into other
7 tangible personal property to be transported outside this State
8 and thereafter used or consumed solely outside this State. The
9 Director of Revenue shall, pursuant to rules adopted in
10 accordance with the Illinois Administrative Procedure Act,
11 issue a permit to any taxpayer in good standing with the
12 Department who is eligible for the exemption under this
13 paragraph (38). The permit issued under this paragraph (38)
14 shall authorize the holder, to the extent and in the manner
15 specified in the rules adopted under this Act, to purchase
16 tangible personal property from a retailer exempt from the
17 taxes imposed by this Act. Taxpayers shall maintain all
18 necessary books and records to substantiate the use and
19 consumption of all such tangible personal property outside of
20 the State of Illinois.

21 (39) Beginning January 1, 2008, tangible personal property
22 used in the construction or maintenance of a community water
23 supply, as defined under Section 3.145 of the Environmental
24 Protection Act, that is operated by a not-for-profit
25 corporation that holds a valid water supply permit issued under
26 Title IV of the Environmental Protection Act. This paragraph is

1 exempt from the provisions of Section 2-70.

2 (40) Beginning January 1, 2010, materials, parts,
3 equipment, components, and furnishings incorporated into or
4 upon an aircraft as part of the modification, refurbishment,
5 completion, replacement, repair, or maintenance of the
6 aircraft. This exemption includes consumable supplies used in
7 the modification, refurbishment, completion, replacement,
8 repair, and maintenance of aircraft, but excludes any
9 materials, parts, equipment, components, and consumable
10 supplies used in the modification, replacement, repair, and
11 maintenance of aircraft engines or power plants, whether such
12 engines or power plants are installed or uninstalled upon any
13 such aircraft. "Consumable supplies" include, but are not
14 limited to, adhesive, tape, sandpaper, general purpose
15 lubricants, cleaning solution, latex gloves, and protective
16 films. This exemption applies only to those organizations that
17 (i) hold an Air Agency Certificate and are empowered to operate
18 an approved repair station by the Federal Aviation
19 Administration, (ii) have a Class IV Rating, and (iii) conduct
20 operations in accordance with Part 145 of the Federal Aviation
21 Regulations. The exemption does not include aircraft operated
22 by a commercial air carrier providing scheduled passenger air
23 service pursuant to authority issued under Part 121 or Part 129
24 of the Federal Aviation Regulations.

25 (41) Tangible personal property sold to a
26 public-facilities corporation, as described in Section

1 11-65-10 of the Illinois Municipal Code, for purposes of
2 constructing or furnishing a municipal convention hall, but
3 only if the legal title to the municipal convention hall is
4 transferred to the municipality without any further
5 consideration by or on behalf of the municipality at the time
6 of the completion of the municipal convention hall or upon the
7 retirement or redemption of any bonds or other debt instruments
8 issued by the public-facilities corporation in connection with
9 the development of the municipal convention hall. This
10 exemption includes existing public-facilities corporations as
11 provided in Section 11-65-25 of the Illinois Municipal Code.
12 This paragraph is exempt from the provisions of Section 2-70.

13 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
14 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
15 7-2-10; 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227, eff.
16 1-1-12; 97-431, eff. 8-16-11; revised 9-12-11.)

17 (35 ILCS 120/2-10)

18 Sec. 2-10. Rate of tax. Unless otherwise provided in this
19 Section, the tax imposed by this Act is at the rate of 6.25% of
20 gross receipts from sales of tangible personal property made in
21 the course of business.

22 Beginning on July 1, 2000 and through December 31, 2000,
23 with respect to motor fuel, as defined in Section 1.1 of the
24 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
25 the Use Tax Act, the tax is imposed at the rate of 1.25%.

1 Beginning on August 6, 2010 through August 15, 2010, with
2 respect to sales tax holiday items as defined in Section 2-8 of
3 this Act, the tax is imposed at the rate of 1.25%.

4 Within 14 days after the effective date of this amendatory
5 Act of the 91st General Assembly, each retailer of motor fuel
6 and gasohol shall cause the following notice to be posted in a
7 prominently visible place on each retail dispensing device that
8 is used to dispense motor fuel or gasohol in the State of
9 Illinois: "As of July 1, 2000, the State of Illinois has
10 eliminated the State's share of sales tax on motor fuel and
11 gasohol through December 31, 2000. The price on this pump
12 should reflect the elimination of the tax." The notice shall be
13 printed in bold print on a sign that is no smaller than 4
14 inches by 8 inches. The sign shall be clearly visible to
15 customers. Any retailer who fails to post or maintain a
16 required sign through December 31, 2000 is guilty of a petty
17 offense for which the fine shall be \$500 per day per each
18 retail premises where a violation occurs.

19 With respect to gasohol, as defined in the Use Tax Act, the
20 tax imposed by this Act applies to (i) 70% of the proceeds of
21 sales made on or after January 1, 1990, and before July 1,
22 2003, (ii) 80% of the proceeds of sales made on or after July
23 1, 2003 and on or before December 31, 2018 ~~2013~~, and (iii) 100%
24 of the proceeds of sales made thereafter. If, at any time,
25 however, the tax under this Act on sales of gasohol, as defined
26 in the Use Tax Act, is imposed at the rate of 1.25%, then the

1 tax imposed by this Act applies to 100% of the proceeds of
2 sales of gasohol made during that time.

3 With respect to majority blended ethanol fuel, as defined
4 in the Use Tax Act, the tax imposed by this Act does not apply
5 to the proceeds of sales made on or after July 1, 2003 and on or
6 before December 31, 2018 ~~2013~~ but applies to 100% of the
7 proceeds of sales made thereafter.

8 With respect to biodiesel blends, as defined in the Use Tax
9 Act, with no less than 1% and no more than 10% biodiesel, the
10 tax imposed by this Act applies to (i) 80% of the proceeds of
11 sales made on or after July 1, 2003 and on or before December
12 31, 2018 ~~2013~~ and (ii) 100% of the proceeds of sales made
13 thereafter. If, at any time, however, the tax under this Act on
14 sales of biodiesel blends, as defined in the Use Tax Act, with
15 no less than 1% and no more than 10% biodiesel is imposed at
16 the rate of 1.25%, then the tax imposed by this Act applies to
17 100% of the proceeds of sales of biodiesel blends with no less
18 than 1% and no more than 10% biodiesel made during that time.

19 With respect to 100% biodiesel, as defined in the Use Tax
20 Act, and biodiesel blends, as defined in the Use Tax Act, with
21 more than 10% but no more than 99% biodiesel, the tax imposed
22 by this Act does not apply to the proceeds of sales made on or
23 after July 1, 2003 and on or before December 31, 2018 ~~2013~~ but
24 applies to 100% of the proceeds of sales made thereafter.

25 With respect to food for human consumption that is to be
26 consumed off the premises where it is sold (other than

1 alcoholic beverages, soft drinks, and food that has been
2 prepared for immediate consumption) and prescription and
3 nonprescription medicines, drugs, medical appliances,
4 modifications to a motor vehicle for the purpose of rendering
5 it usable by a disabled person, and insulin, urine testing
6 materials, syringes, and needles used by diabetics, for human
7 use, the tax is imposed at the rate of 1%. For the purposes of
8 this Section, until September 1, 2009: the term "soft drinks"
9 means any complete, finished, ready-to-use, non-alcoholic
10 drink, whether carbonated or not, including but not limited to
11 soda water, cola, fruit juice, vegetable juice, carbonated
12 water, and all other preparations commonly known as soft drinks
13 of whatever kind or description that are contained in any
14 closed or sealed bottle, can, carton, or container, regardless
15 of size; but "soft drinks" does not include coffee, tea,
16 non-carbonated water, infant formula, milk or milk products as
17 defined in the Grade A Pasteurized Milk and Milk Products Act,
18 or drinks containing 50% or more natural fruit or vegetable
19 juice.

20 Notwithstanding any other provisions of this Act,
21 beginning September 1, 2009, "soft drinks" means non-alcoholic
22 beverages that contain natural or artificial sweeteners. "Soft
23 drinks" do not include beverages that contain milk or milk
24 products, soy, rice or similar milk substitutes, or greater
25 than 50% of vegetable or fruit juice by volume.

26 Until August 1, 2009, and notwithstanding any other

1 provisions of this Act, "food for human consumption that is to
2 be consumed off the premises where it is sold" includes all
3 food sold through a vending machine, except soft drinks and
4 food products that are dispensed hot from a vending machine,
5 regardless of the location of the vending machine. Beginning
6 August 1, 2009, and notwithstanding any other provisions of
7 this Act, "food for human consumption that is to be consumed
8 off the premises where it is sold" includes all food sold
9 through a vending machine, except soft drinks, candy, and food
10 products that are dispensed hot from a vending machine,
11 regardless of the location of the vending machine.

12 Notwithstanding any other provisions of this Act,
13 beginning September 1, 2009, "food for human consumption that
14 is to be consumed off the premises where it is sold" does not
15 include candy. For purposes of this Section, "candy" means a
16 preparation of sugar, honey, or other natural or artificial
17 sweeteners in combination with chocolate, fruits, nuts or other
18 ingredients or flavorings in the form of bars, drops, or
19 pieces. "Candy" does not include any preparation that contains
20 flour or requires refrigeration.

21 Notwithstanding any other provisions of this Act,
22 beginning September 1, 2009, "nonprescription medicines and
23 drugs" does not include grooming and hygiene products. For
24 purposes of this Section, "grooming and hygiene products"
25 includes, but is not limited to, soaps and cleaning solutions,
26 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan

1 lotions and screens, unless those products are available by
2 prescription only, regardless of whether the products meet the
3 definition of "over-the-counter-drugs". For the purposes of
4 this paragraph, "over-the-counter-drug" means a drug for human
5 use that contains a label that identifies the product as a drug
6 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
7 label includes:

8 (A) A "Drug Facts" panel; or

9 (B) A statement of the "active ingredient(s)" with a
10 list of those ingredients contained in the compound,
11 substance or preparation.

12 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,
13 eff. 7-13-09; 96-1000, eff. 7-2-10; 96-1012, eff. 7-7-10.)

14 (35 ILCS 120/2-70)

15 Sec. 2-70. Sunset of exemptions, credits, and deductions.

16 (a) The application of every exemption, credit, and
17 deduction against tax imposed by this Act that becomes law
18 after the effective date of this amendatory Act of 1994 shall
19 be limited by a reasonable and appropriate sunset date. A
20 taxpayer is not entitled to take the exemption, credit, or
21 deduction beginning on the sunset date and thereafter. Except
22 as provided in subsection (b) of this Section, if ~~if~~ a
23 reasonable and appropriate sunset date is not specified in the
24 Public Act that creates the exemption, credit, or deduction, a
25 taxpayer shall not be entitled to take the exemption, credit,

1 or deduction beginning 5 years after the effective date of the
2 Public Act creating the exemption, credit, or deduction and
3 thereafter.

4 (b) Notwithstanding the provisions of subsection (a) of
5 this Section, the sunset date of any exemption, credit, or
6 deduction that is scheduled to expire in 2011, 2012, or 2013 by
7 operation of this Section shall be extended by 5 years.

8 (Source: P.A. 88-660, eff. 9-16-94.)

9 Section 15-37. The Property Tax Code is amended by changing
10 Section 18-165 as follows:

11 (35 ILCS 200/18-165)

12 Sec. 18-165. Abatement of taxes.

13 (a) Any taxing district, upon a majority vote of its
14 governing authority, may, after the determination of the
15 assessed valuation of its property, order the clerk of that
16 county to abate any portion of its taxes on the following types
17 of property:

18 (1) Commercial and industrial.

19 (A) The property of any commercial or industrial
20 firm, including but not limited to the property of (i)
21 any firm that is used for collecting, separating,
22 storing, or processing recyclable materials, locating
23 within the taxing district during the immediately
24 preceding year from another state, territory, or

1 country, or having been newly created within this State
2 during the immediately preceding year, or expanding an
3 existing facility, or (ii) any firm that is used for
4 the generation and transmission of electricity
5 locating within the taxing district during the
6 immediately preceding year or expanding its presence
7 within the taxing district during the immediately
8 preceding year by construction of a new electric
9 generating facility that uses natural gas as its fuel,
10 or any firm that is used for production operations at a
11 new, expanded, or reopened coal mine within the taxing
12 district, that has been certified as a High Impact
13 Business by the Illinois Department of Commerce and
14 Economic Opportunity. The property of any firm used for
15 the generation and transmission of electricity shall
16 include all property of the firm used for transmission
17 facilities as defined in Section 5.5 of the Illinois
18 Enterprise Zone Act. The abatement shall not exceed a
19 period of 10 years and the aggregate amount of abated
20 taxes for all taxing districts combined shall not
21 exceed \$4,000,000.

22 (A-5) Any property in the taxing district of a new
23 electric generating facility, as defined in Section
24 605-332 of the Department of Commerce and Economic
25 Opportunity Law of the Civil Administrative Code of
26 Illinois. The abatement shall not exceed a period of 10

1 years. The abatement shall be subject to the following
2 limitations:

3 (i) if the equalized assessed valuation of the
4 new electric generating facility is equal to or
5 greater than \$25,000,000 but less than
6 \$50,000,000, then the abatement may not exceed (i)
7 over the entire term of the abatement, 5% of the
8 taxing district's aggregate taxes from the new
9 electric generating facility and (ii) in any one
10 year of abatement, 20% of the taxing district's
11 taxes from the new electric generating facility;

12 (ii) if the equalized assessed valuation of
13 the new electric generating facility is equal to or
14 greater than \$50,000,000 but less than
15 \$75,000,000, then the abatement may not exceed (i)
16 over the entire term of the abatement, 10% of the
17 taxing district's aggregate taxes from the new
18 electric generating facility and (ii) in any one
19 year of abatement, 35% of the taxing district's
20 taxes from the new electric generating facility;

21 (iii) if the equalized assessed valuation of
22 the new electric generating facility is equal to or
23 greater than \$75,000,000 but less than
24 \$100,000,000, then the abatement may not exceed
25 (i) over the entire term of the abatement, 20% of
26 the taxing district's aggregate taxes from the new

1 electric generating facility and (ii) in any one
2 year of abatement, 50% of the taxing district's
3 taxes from the new electric generating facility;

4 (iv) if the equalized assessed valuation of
5 the new electric generating facility is equal to or
6 greater than \$100,000,000 but less than
7 \$125,000,000, then the abatement may not exceed

8 (i) over the entire term of the abatement, 30% of
9 the taxing district's aggregate taxes from the new
10 electric generating facility and (ii) in any one
11 year of abatement, 60% of the taxing district's
12 taxes from the new electric generating facility;

13 (v) if the equalized assessed valuation of the
14 new electric generating facility is equal to or
15 greater than \$125,000,000 but less than
16 \$150,000,000, then the abatement may not exceed

17 (i) over the entire term of the abatement, 40% of
18 the taxing district's aggregate taxes from the new
19 electric generating facility and (ii) in any one
20 year of abatement, 60% of the taxing district's
21 taxes from the new electric generating facility;

22 (vi) if the equalized assessed valuation of
23 the new electric generating facility is equal to or
24 greater than \$150,000,000, then the abatement may
25 not exceed (i) over the entire term of the
26 abatement, 50% of the taxing district's aggregate

1 taxes from the new electric generating facility
2 and (ii) in any one year of abatement, 60% of the
3 taxing district's taxes from the new electric
4 generating facility.

5 The abatement is not effective unless the owner of
6 the new electric generating facility agrees to repay to
7 the taxing district all amounts previously abated,
8 together with interest computed at the rate and in the
9 manner provided for delinquent taxes, in the event that
10 the owner of the new electric generating facility
11 closes the new electric generating facility before the
12 expiration of the entire term of the abatement.

13 The authorization of taxing districts to abate
14 taxes under this subdivision (a) (1) (A-5) expires on
15 January 1, 2010.

16 (B) The property of any commercial or industrial
17 development of at least 500 acres having been created
18 within the taxing district. The abatement shall not
19 exceed a period of 20 years and the aggregate amount of
20 abated taxes for all taxing districts combined shall
21 not exceed \$12,000,000.

22 (C) The property of any commercial or industrial
23 firm currently located in the taxing district that
24 expands a facility or its number of employees. The
25 abatement shall not exceed a period of 10 years and the
26 aggregate amount of abated taxes for all taxing

1 districts combined shall not exceed \$4,000,000. The
2 abatement period may be renewed at the option of the
3 taxing districts.

4 (2) Horse racing. Any property in the taxing district
5 which is used for the racing of horses and upon which
6 capital improvements consisting of expansion, improvement
7 or replacement of existing facilities have been made since
8 July 1, 1987. The combined abatements for such property
9 from all taxing districts in any county shall not exceed
10 \$5,000,000 annually and shall not exceed a period of 10
11 years.

12 (3) Auto racing. Any property designed exclusively for
13 the racing of motor vehicles. Such abatement shall not
14 exceed a period of 10 years.

15 (4) Academic or research institute. The property of any
16 academic or research institute in the taxing district that
17 (i) is an exempt organization under paragraph (3) of
18 Section 501(c) of the Internal Revenue Code, (ii) operates
19 for the benefit of the public by actually and exclusively
20 performing scientific research and making the results of
21 the research available to the interested public on a
22 non-discriminatory basis, and (iii) employs more than 100
23 employees. An abatement granted under this paragraph shall
24 be for at least 15 years and the aggregate amount of abated
25 taxes for all taxing districts combined shall not exceed
26 \$5,000,000.

1 (5) Housing for older persons. Any property in the
2 taxing district that is devoted exclusively to affordable
3 housing for older households. For purposes of this
4 paragraph, "older households" means those households (i)
5 living in housing provided under any State or federal
6 program that the Department of Human Rights determines is
7 specifically designed and operated to assist elderly
8 persons and is solely occupied by persons 55 years of age
9 or older and (ii) whose annual income does not exceed 80%
10 of the area gross median income, adjusted for family size,
11 as such gross income and median income are determined from
12 time to time by the United States Department of Housing and
13 Urban Development. The abatement shall not exceed a period
14 of 15 years, and the aggregate amount of abated taxes for
15 all taxing districts shall not exceed \$3,000,000.

16 (6) Historical society. For assessment years 1998
17 through 2018 ~~2013~~, the property of an historical society
18 qualifying as an exempt organization under Section
19 501(c)(3) of the federal Internal Revenue Code.

20 (7) Recreational facilities. Any property in the
21 taxing district (i) that is used for a municipal airport,
22 (ii) that is subject to a leasehold assessment under
23 Section 9-195 of this Code and (iii) which is sublet from a
24 park district that is leasing the property from a
25 municipality, but only if the property is used exclusively
26 for recreational facilities or for parking lots used

1 exclusively for those facilities. The abatement shall not
2 exceed a period of 10 years.

3 (8) Relocated corporate headquarters. If approval
4 occurs within 5 years after the effective date of this
5 amendatory Act of the 92nd General Assembly, any property
6 or a portion of any property in a taxing district that is
7 used by an eligible business for a corporate headquarters
8 as defined in the Corporate Headquarters Relocation Act.
9 Instead of an abatement under this paragraph (8), a taxing
10 district may enter into an agreement with an eligible
11 business to make annual payments to that eligible business
12 in an amount not to exceed the property taxes paid directly
13 or indirectly by that eligible business to the taxing
14 district and any other taxing districts for premises
15 occupied pursuant to a written lease and may make those
16 payments without the need for an annual appropriation. No
17 school district, however, may enter into an agreement with,
18 or abate taxes for, an eligible business unless the
19 municipality in which the corporate headquarters is
20 located agrees to provide funding to the school district in
21 an amount equal to the amount abated or paid by the school
22 district as provided in this paragraph (8). Any abatement
23 ordered or agreement entered into under this paragraph (8)
24 may be effective for the entire term specified by the
25 taxing district, except the term of the abatement or annual
26 payments may not exceed 20 years.

1 (9) United States Military Public/Private Residential
2 Developments. Each building, structure, or other
3 improvement designed, financed, constructed, renovated,
4 managed, operated, or maintained after January 1, 2006
5 under a "PPV Lease", as set forth under Division 14 of
6 Article 10, and any such PPV Lease.

7 (10) Property located in a business corridor that
8 qualifies for an abatement under Section 18-184.10.

9 (b) Upon a majority vote of its governing authority, any
10 municipality may, after the determination of the assessed
11 valuation of its property, order the county clerk to abate any
12 portion of its taxes on any property that is located within the
13 corporate limits of the municipality in accordance with Section
14 8-3-18 of the Illinois Municipal Code.

15 (Source: P.A. 96-1136, eff. 7-21-10; 97-577, eff. 1-1-12.)

16 Section 15-40. The Illinois Estate and Generation-Skipping
17 Transfer Tax Act is amended by changing Section 2 as follows:

18 (35 ILCS 405/2) (from Ch. 120, par. 405A-2)

19 Sec. 2. Definitions.

20 "Federal estate tax" means the tax due to the United States
21 with respect to a taxable transfer under Chapter 11 of the
22 Internal Revenue Code.

23 "Federal generation-skipping transfer tax" means the tax
24 due to the United States with respect to a taxable transfer

1 under Chapter 13 of the Internal Revenue Code.

2 "Federal return" means the federal estate tax return with
3 respect to the federal estate tax and means the federal
4 generation-skipping transfer tax return with respect to the
5 federal generation-skipping transfer tax.

6 "Federal transfer tax" means the federal estate tax or the
7 federal generation-skipping transfer tax.

8 "Illinois estate tax" means the tax due to this State with
9 respect to a taxable transfer.

10 "Illinois generation-skipping transfer tax" means the tax
11 due to this State with respect to a taxable transfer that gives
12 rise to a federal generation-skipping transfer tax.

13 "Illinois transfer tax" means the Illinois estate tax or
14 the Illinois generation-skipping transfer tax.

15 "Internal Revenue Code" means, unless otherwise provided,
16 the Internal Revenue Code of 1986, as amended from time to
17 time.

18 "Non-resident trust" means a trust that is not a resident
19 of this State for purposes of the Illinois Income Tax Act, as
20 amended from time to time.

21 "Person" means and includes any individual, trust, estate,
22 partnership, association, company or corporation.

23 "Qualified heir" means a qualified heir as defined in
24 Section 2032A(e) (1) of the Internal Revenue Code.

25 "Resident trust" means a trust that is a resident of this
26 State for purposes of the Illinois Income Tax Act, as amended

1 from time to time.

2 "State" means any state, territory or possession of the
3 United States and the District of Columbia.

4 "State tax credit" means:

5 (a) For persons dying on or after January 1, 2003 and
6 through December 31, 2005, an amount equal to the full credit
7 calculable under Section 2011 or Section 2604 of the Internal
8 Revenue Code as the credit would have been computed and allowed
9 under the Internal Revenue Code as in effect on December 31,
10 2001, without the reduction in the State Death Tax Credit as
11 provided in Section 2011(b) (2) or the termination of the State
12 Death Tax Credit as provided in Section 2011(f) as enacted by
13 the Economic Growth and Tax Relief Reconciliation Act of 2001,
14 but recognizing the increased applicable exclusion amount
15 through December 31, 2005.

16 (b) For persons dying after December 31, 2005 and on or
17 before December 31, 2009, and for persons dying after December
18 31, 2010, an amount equal to the full credit calculable under
19 Section 2011 or 2604 of the Internal Revenue Code as the credit
20 would have been computed and allowed under the Internal Revenue
21 Code as in effect on December 31, 2001, without the reduction
22 in the State Death Tax Credit as provided in Section 2011(b) (2)
23 or the termination of the State Death Tax Credit as provided in
24 Section 2011(f) as enacted by the Economic Growth and Tax
25 Relief Reconciliation Act of 2001, but recognizing the
26 exclusion amount of only (i) \$2,000,000 for persons dying prior

1 to January 1, 2012, (ii) \$3,500,000 for persons dying on or
2 after January 1, 2012 and prior to January 1, 2013, and (iii)
3 \$4,000,000 for persons dying on or after January 1, 2013, and
4 with reduction to the adjusted taxable estate for any qualified
5 terminable interest property election as defined in subsection
6 (b-1) of this Section.

7 (b-1) The person required to file the Illinois return may
8 elect on a timely filed Illinois return a marital deduction for
9 qualified terminable interest property under Section
10 2056(b)(7) of the Internal Revenue Code for purposes of the
11 Illinois estate tax that is separate and independent of any
12 qualified terminable interest property election for federal
13 estate tax purposes. For purposes of the Illinois estate tax,
14 the inclusion of property in the gross estate of a surviving
15 spouse is the same as under Section 2044 of the Internal
16 Revenue Code.

17 In the case of any trust for which a State or federal
18 qualified terminable interest property election is made, the
19 trustee may not retain non-income producing assets for more
20 than a reasonable amount of time without the consent of the
21 surviving spouse.

22 "Taxable transfer" means an event that gives rise to a
23 state tax credit, including any credit as a result of the
24 imposition of an additional tax under Section 2032A(c) of the
25 Internal Revenue Code.

26 "Transferee" means a transferee within the meaning of

1 Section 2603(a) (1) and Section 6901(h) of the Internal Revenue
2 Code.

3 "Transferred property" means:

4 (1) With respect to a taxable transfer occurring at the
5 death of an individual, the deceased individual's gross
6 estate as defined in Section 2031 of the Internal Revenue
7 Code.

8 (2) With respect to a taxable transfer occurring as a
9 result of a taxable termination as defined in Section
10 2612(a) of the Internal Revenue Code, the taxable amount
11 determined under Section 2622(a) of the Internal Revenue
12 Code.

13 (3) With respect to a taxable transfer occurring as a
14 result of a taxable distribution as defined in Section
15 2612(b) of the Internal Revenue Code, the taxable amount
16 determined under Section 2621(a) of the Internal Revenue
17 Code.

18 (4) With respect to an event which causes the
19 imposition of an additional estate tax under Section
20 2032A(c) of the Internal Revenue Code, the qualified real
21 property that was disposed of or which ceased to be used
22 for the qualified use, within the meaning of Section
23 2032A(c) (1) of the Internal Revenue Code.

24 "Trust" includes a trust as defined in Section 2652(b) (1)
25 of the Internal Revenue Code.

26 (Source: P.A. 96-789, eff. 9-8-09; 96-1496, eff. 1-13-11.)