

1 AN ACT concerning revenue.

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

4 Section 1. Short title. This Act may be cited as the Green  
5 Energy Business Act.

6 Section 5. Definitions. As used in this Act, the following  
7 words shall have the meanings ascribed to them below, unless  
8 the context otherwise requires:

9 "Biodiesel" means a renewable diesel fuel derived from  
10 biomass that is intended for use in diesel engines.

11 "Department" means the Department of Commerce and Economic  
12 Opportunity.

13 "Ethanol" means a product produced from agricultural  
14 commodities or by-products used as a fuel or to be blended with  
15 other fuels for use in motor vehicles.

16 "Green Energy Business" means a business that:

17 (i) produces or manufactures components used in the  
18 production of electricity from renewable energy resources;

19 (ii) has the capacity to produce and produces at least  
20 5 megawatts of electricity from renewable energy resources  
21 each year;

22 (iii) has the capacity to produce and produces no less  
23 than 30,000,000 gallons of biodiesel or ethanol each year.

1 "Renewable energy resources" means wind energy; solar  
2 thermal energy; photovoltaic cells and panels; biodiesel;  
3 crops; untreated and unadulterated organic waste biomass;  
4 trees and tree trimmings; hydropower that does not involve new  
5 construction or significant expansion of hydropower dams; and  
6 other alternative sources of environmentally preferable  
7 energy. For purposes of this Act, landfill gas produced in the  
8 State is a renewable energy resource, but tires; garbage;  
9 general household, institutional, and commercial waste;  
10 industrial lunchroom or office waste; landscape waste (other  
11 than trees and tree trimmings); railroad crossties; utility  
12 poles; and construction or demolition debris (other than  
13 untreated and unadulterated waste wood) are not. Renewable  
14 energy resources also include any renewable energy credit or  
15 credits associated with or generated by a source of energy that  
16 otherwise qualifies as a renewable energy resource under this  
17 Act.

18 Section 10. Green Energy Business.

19 (a) To assist in the encouragement, development, growth,  
20 and expansion of the private sector through green energy  
21 projects, the Department may receive and approve applications  
22 for the designation of "Green Energy Business" in Illinois.  
23 Applications may be submitted at any time. No later than 90  
24 days after an application is submitted, the Department shall  
25 notify the applicant of the Department's determination as to

1 the applicant's qualification to be designated as a Green  
2 Energy Business under this Section. To qualify as a Green  
3 Energy Business, a business must meet all of the following  
4 conditions:

5 (1) It must not be located, at the time of designation,  
6 in an enterprise zone designated under the Illinois  
7 Enterprise Zone Act.

8 (2) It must commit to (i) produce or manufacture  
9 components used in the production of electricity from  
10 renewable energy resources; (ii) produce at least 5  
11 megawatts of electricity from renewable energy resources  
12 each year; or (iii) produce not less than 30,000,000  
13 gallons of biodiesel or ethanol each year.

14 (3) It must commit to have the business placed in  
15 service at a qualified property in Illinois.

16 (4) It must certify in writing that (i) the investments  
17 would not be placed in service at a qualified property  
18 without the tax credits and exemptions referenced in  
19 subsection (b) of this Section and (ii) the job creation or  
20 job retention would not occur without the tax credits and  
21 exemptions referenced in subsection (b) of this Section.  
22 The terms "placed in service" and "qualified property" have  
23 the same meanings as described in subsection (h) of Section  
24 201 of the Illinois Income Tax Act.

25 (5) It must meet any additional criteria established by  
26 the Department.

1           (b) Each business designated as a Green Energy Business by  
2 the Department shall qualify for the credits and exemptions in  
3 Sections 9-222 and 9-222.1A of the Public Utilities Act;  
4 subsection (h) of Section 201 of the Illinois Income Tax Act;  
5 and Section 1d of the Retailers' Occupation Tax Act. Each  
6 business designated as a Green Energy Business under this  
7 Section shall also qualify for the exemption described in  
8 Section 5l of the Retailers' Occupation Tax Act. The credit  
9 provided in subsection (h) of Section 201 of the Illinois  
10 Income Tax Act shall be applicable to investments in qualified  
11 property used to meet the requirements in subdivision (a)(2) of  
12 this Section.

13           (c) The Department must revoke a Green Energy Business  
14 designation if, within the Department's discretion, the  
15 participating business fails to comply with the terms and  
16 conditions of the designation.

17           Section 15. Project labor agreements.

18           (a) Each business designated as a Green Energy Business by  
19 the Department must enter into a project labor agreement. The  
20 project labor agreement must include provisions establishing  
21 (i) the minimum hourly wage for each class of labor  
22 organization employee; (ii) the benefits and other  
23 compensation for each class of labor organization employee; and  
24 (iii) that no strike or disputes will be engaged in by the  
25 labor organization employees; and (iv) that no lockout or

1 disputes will be engaged in by the owner of a Green Energy  
2 Business. The owner of a Green Energy Business and the labor  
3 organizations shall have the authority to include other terms  
4 and conditions as they deem necessary.

5 (b) Each project labor agreement shall be filed with the  
6 Director in accordance with the procedures established by the  
7 Department. At a minimum, the project labor agreement must  
8 provide the names, addresses, and occupations of the owner of  
9 the Green Energy Business and the individuals representing the  
10 labor organization employees participating in the project  
11 labor agreement. The agreement must also specify the terms and  
12 conditions required in subsection (a) of this Section.

13 Section 20. The Illinois Income Tax Act is amended by  
14 changing Section 201 as follows:

15 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

16 Sec. 201. Tax Imposed.

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

24 (b) Rates. The tax imposed by subsection (a) of this

1 Section shall be determined as follows, except as adjusted by  
2 subsection (d-1):

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

7 (2) In the case of an individual, trust or estate, for  
8 taxable years beginning prior to July 1, 1989 and ending  
9 after June 30, 1989, an amount equal to the sum of (i) 2  
10 1/2% of the taxpayer's net income for the period prior to  
11 July 1, 1989, as calculated under Section 202.3, and (ii)  
12 3% of the taxpayer's net income for the period after June  
13 30, 1989, as calculated under Section 202.3.

14 (3) In the case of an individual, trust or estate, for  
15 taxable years beginning after June 30, 1989, an amount  
16 equal to 3% of the taxpayer's net income for the taxable  
17 year.

18 (4) (Blank).

19 (5) (Blank).

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

23 (7) In the case of a corporation, for taxable years  
24 beginning prior to July 1, 1989 and ending after June 30,  
25 1989, an amount equal to the sum of (i) 4% of the  
26 taxpayer's net income for the period prior to July 1, 1989,

1 as calculated under Section 202.3, and (ii) 4.8% of the  
2 taxpayer's net income for the period after June 30, 1989,  
3 as calculated under Section 202.3.

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

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

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

1 1, 1981, and thereafter, the rate of 2.85% specified in this  
2 subsection shall be reduced to 2.5%, and in the case of a  
3 partnership, trust or a Subchapter S corporation shall be an  
4 additional amount equal to 1.5% of such taxpayer's net income  
5 for the taxable year.

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

1 income by the foreign insurer's state of domicile. For the  
2 purposes of this subsection (d-1), an inter-affiliate includes  
3 a mutual insurer under common management.

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

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

10 (B) the privilege tax imposed by Section 409 of the  
11 Illinois Insurance Code, the fire insurance company  
12 tax imposed by Section 12 of the Fire Investigation  
13 Act, and the fire department taxes imposed under  
14 Section 11-10-1 of the Illinois Municipal Code,  
15 equals 1.25% for taxable years ending prior to December 31,  
16 2003, or 1.75% for taxable years ending on or after  
17 December 31, 2003, of the net taxable premiums written for  
18 the taxable year, as described by subsection (1) of Section  
19 409 of the Illinois Insurance Code. This paragraph will in  
20 no event increase the rates imposed under subsections (b)  
21 and (d).

22 (2) Any reduction in the rates of tax imposed by this  
23 subsection shall be applied first against the rates imposed  
24 by subsection (b) and only after the tax imposed by  
25 subsection (a) net of all credits allowed under this  
26 Section other than the credit allowed under subsection (i)

1 has been reduced to zero, against the rates imposed by  
2 subsection (d).

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

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

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

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

1 Opportunity) shall notify the Department of Revenue of all  
2 such certifications immediately. For tax years ending  
3 after December 31, 1988, the credit shall be allowed for  
4 the tax year in which the property is placed in service,  
5 or, if the amount of the credit exceeds the tax liability  
6 for that year, whether it exceeds the original liability or  
7 the liability as later amended, such excess may be carried  
8 forward and applied to the tax liability of the 5 taxable  
9 years following the excess credit years. The credit shall  
10 be applied to the earliest year for which there is a  
11 liability. If there is credit from more than one tax year  
12 that is available to offset a liability, earlier credit  
13 shall be applied first.

14 (2) The term "qualified property" means property  
15 which:

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

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 (e);

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

4 (D) is used in Illinois by a taxpayer who is  
5 primarily engaged in manufacturing, or in mining coal  
6 or fluorite, or in retailing, or was placed in service  
7 on or after July 1, 2006 in a River Edge Redevelopment  
8 Zone established pursuant to the River Edge  
9 Redevelopment Zone Act; and

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

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

26 (4) The basis of qualified property shall be the basis

1 used to compute the depreciation deduction for federal  
2 income tax purposes.

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

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

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

26 (8) Unless the investment credit is extended by law,

1 the basis of qualified property shall not include costs  
2 incurred after December 31, 2008, except for costs incurred  
3 pursuant to a binding contract entered into on or before  
4 December 31, 2008.

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

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

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

9           (f) Investment credit; Enterprise Zone; River Edge  
10          Redevelopment Zone.

11           (1) A taxpayer shall be allowed a credit against the  
12           tax imposed by subsections (a) and (b) of this Section for  
13           investment in qualified property which is placed in service  
14           in an Enterprise Zone created pursuant to the Illinois  
15           Enterprise Zone Act or, for property placed in service on  
16           or after July 1, 2006, a River Edge Redevelopment Zone  
17           established pursuant to the River Edge Redevelopment Zone  
18           Act. For partners, shareholders of Subchapter S  
19           corporations, and owners of limited liability companies,  
20           if the liability company is treated as a partnership for  
21           purposes of federal and State income taxation, there shall  
22           be allowed a credit under this subsection (f) to be  
23           determined in accordance with the determination of income  
24           and distributive share of income under Sections 702 and 704  
25           and Subchapter S of the Internal Revenue Code. The credit  
26           shall be .5% of the basis for such property. The credit

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

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

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

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

26 (C) is acquired by purchase as defined in Section

1 179(d) of the Internal Revenue Code;

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

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

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

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

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

19 (6) If during any taxable year, any property ceases to  
20 be qualified property in the hands of the taxpayer within  
21 48 months after being placed in service, or the situs of  
22 any qualified property is moved outside the Enterprise Zone  
23 or River Edge Redevelopment Zone within 48 months after  
24 being placed in service, the tax imposed under subsections  
25 (a) and (b) of this Section for such taxable year shall be  
26 increased. Such increase shall be determined by (i)

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

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

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

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

13           (2) To qualify for the credit:

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

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

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

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

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

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

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

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

24 (4) For tax years ending on or after December 31, 1985  
25 and prior to December 31, 1988, the credit shall be allowed  
26 for the tax year in which the eligible employees are hired.

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

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

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

18 (h) Investment credit; High Impact Business; Green Energy  
19 Business.

20 (1) Subject to subsection (a) of Section 10 of the  
21 Green Energy Business Act, or subsections (b) and (b-5) of  
22 Section 5.5 of the Illinois Enterprise Zone Act, a taxpayer  
23 shall be allowed a credit against the tax imposed by  
24 subsections (a) and (b) of this Section for investment in  
25 qualified property which is placed in service by a  
26 Department of Commerce and Economic Opportunity designated

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

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

12 Changes made in this subdivision (h) (1) by Public Act  
13 88-670 restore changes made by Public Act 85-1182 and  
14 reflect existing law.

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

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

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 (h);

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

25 (D) is not eligible for the Enterprise Zone  
26 Investment Credit provided by subsection (f) of this

1 Section.

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

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

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

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

1 basis of qualified property resulting from a  
2 redetermination of the purchase price shall be deemed a  
3 disposition of qualified property to the extent of such  
4 reduction.

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

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

25 Any credit earned on or after December 31, 1986 under this  
26 subsection which is unused in the year the credit is computed

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

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

23 (j) Training expense credit. Beginning with tax years  
24 ending on or after December 31, 1986 and prior to December 31,  
25 2003, a taxpayer shall be allowed a credit against the tax  
26 imposed by subsections (a) and (b) under this Section for all

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

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

26 (k) Research and development credit.

1           For tax years ending after July 1, 1990 and prior to  
2 December 31, 2003, and beginning again for tax years ending on  
3 or after December 31, 2004, a taxpayer shall be allowed a  
4 credit against the tax imposed by subsections (a) and (b) of  
5 this Section for increasing research activities in this State.  
6 The credit allowed against the tax imposed by subsections (a)  
7 and (b) shall be equal to 6 1/2% of the qualifying expenditures  
8 for increasing research activities in this State. For partners,  
9 shareholders of subchapter S corporations, and owners of  
10 limited liability companies, if the liability company is  
11 treated as a partnership for purposes of federal and State  
12 income taxation, there shall be allowed a credit under this  
13 subsection to be determined in accordance with the  
14 determination of income and distributive share of income under  
15 Sections 702 and 704 and subchapter S of the Internal Revenue  
16 Code.

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

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

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

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

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

1 (1) Environmental Remediation Tax Credit.

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

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

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

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

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

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

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

11 For purposes of this subsection:

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

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

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

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

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

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

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

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

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

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

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

18 (iv) This subsection is exempt from the provisions of  
19 Section 250.

20 (Source: P.A. 94-1021, eff. 7-12-06; 95-454, eff. 8-27-07.)

21 Section 25. The Retailers' Occupation Tax Act is amended by  
22 changing Sections 1d, 1e, 1f, and 5l as follows:

23 (35 ILCS 120/1d) (from Ch. 120, par. 440d)

24 Sec. 1d. Subject to the provisions of Section 1f, all

1 tangible personal property to be used or consumed within an  
2 enterprise zone established pursuant to the "Illinois  
3 Enterprise Zone Act", as amended, or subject to the provisions  
4 of Section 5.5 of the Illinois Enterprise Zone Act, or subject  
5 to the provisions of Section 10 of the Green Energy Business  
6 Act, all tangible personal property to be used or consumed by  
7 any High Impact Business or Green Energy Business, in the  
8 process of the manufacturing or assembly of tangible personal  
9 property for wholesale or retail sale or lease or in the  
10 process of graphic arts production if used or consumed at a  
11 facility which is a Department of Commerce and Economic  
12 Opportunity certified business and located in a county of more  
13 than 4,000 persons and less than 45,000 persons is exempt from  
14 the tax imposed by this Act. This exemption includes repair and  
15 replacement parts for machinery and equipment used primarily in  
16 the process of manufacturing or assembling tangible personal  
17 property or in the process of graphic arts production if used  
18 or consumed at a facility which is a Department of Commerce and  
19 Economic Opportunity certified business and located in a county  
20 of more than 4,000 persons and less than 45,000 persons for  
21 wholesale or retail sale, or lease, and equipment,  
22 manufacturing or graphic arts fuels, material and supplies for  
23 the maintenance, repair or operation of such manufacturing or  
24 assembling or graphic arts machinery or equipment.

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

1 (35 ILCS 120/1e) (from Ch. 120, par. 440e)

2 Sec. 1e. Subject to the provisions of Section 1f, or  
3 subject to the provisions of Section 5.5 of the Illinois  
4 Enterprise Zone Act, or subject to the provisions of Section 10  
5 of the Green Energy Business Act, all tangible personal  
6 property to be used or consumed in the operation of pollution  
7 control facilities, as defined in Section 1a of this Act,  
8 within an enterprise zone established pursuant to the "Illinois  
9 Enterprise Zone Act", as amended, shall be exempt from the tax  
10 imposed by this Act.

11 (Source: P.A. 85-1182.)

12 (35 ILCS 120/1f) (from Ch. 120, par. 440f)

13 Sec. 1f. Except for High Impact Businesses or Green Energy  
14 Businesses, the exemption stated in Sections 1d and 1e of this  
15 Act shall only apply to business enterprises which:

16 (1) either (i) make investments which cause the  
17 creation of a minimum of 200 full-time equivalent jobs in  
18 Illinois or (ii) make investments which cause the retention  
19 of a minimum of 2000 full-time jobs in Illinois or (iii)  
20 make investments of a minimum of \$40,000,000 and retain at  
21 least 90% of the jobs in place on the date on which the  
22 exemption is granted and for the duration of the exemption;  
23 and

24 (2) are located in an Enterprise Zone established  
25 pursuant to the Illinois Enterprise Zone Act; and

1           (3) are certified by the Department of Commerce and  
2           Economic Opportunity as complying with the requirements  
3           specified in clauses (1), (2) and (3).

4           Any business enterprise seeking to avail itself of the  
5           exemptions stated in Sections 1d or 1e, or both, shall make  
6           application to the Department of Commerce and Economic  
7           Opportunity in such form and providing such information as may  
8           be prescribed by the Department of Commerce and Economic  
9           Opportunity. However, no business enterprise shall be  
10          required, as a condition for certification under clause (4) of  
11          this Section, to attest that its decision to invest under  
12          clause (1) of this Section and to locate under clause (2) of  
13          this Section is predicated upon the availability of the  
14          exemptions authorized by Sections 1d or 1e.

15          The Department of Commerce and Economic Opportunity shall  
16          determine whether the business enterprise meets the criteria  
17          prescribed in this Section. If the Department of Commerce and  
18          Economic Opportunity determines that such business enterprise  
19          meets the criteria, it shall issue a certificate of eligibility  
20          for exemption to the business enterprise in such form as is  
21          prescribed by the Department of Revenue. The Department of  
22          Commerce and Economic Opportunity shall act upon such  
23          certification requests within 60 days after receipt of the  
24          application, and shall file with the Department of Revenue a  
25          copy of each certificate of eligibility for exemption.

26          The Department of Commerce and Economic Opportunity shall

1 have the power to promulgate rules and regulations to carry out  
2 the provisions of this Section including the power to define  
3 the amounts and types of eligible investments not specified in  
4 this Section which business enterprises must make in order to  
5 receive the exemptions stated in Sections 1d and 1e of this  
6 Act; and to require that any business enterprise that is  
7 granted a tax exemption repay the exempted tax if the business  
8 enterprise fails to comply with the terms and conditions of the  
9 certification.

10 Such certificate of eligibility for exemption shall be  
11 presented by the business enterprise to its supplier when  
12 making the initial purchase of tangible personal property for  
13 which an exemption is granted by Section 1d or Section 1e, or  
14 both, together with a certification by the business enterprise  
15 that such tangible personal property is exempt from taxation  
16 under Section 1d or Section 1e and by indicating the exempt  
17 status of each subsequent purchase on the face of the purchase  
18 order.

19 The Department of Commerce and Economic Opportunity shall  
20 determine the period during which such exemption from the taxes  
21 imposed under this Act is in effect which shall not exceed 20  
22 years.

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

24 (35 ILCS 120/51) (from Ch. 120, par. 4441)

25 Sec. 51. Beginning January 1, 1995, each retailer who makes

1 a sale of building materials that will be incorporated into a  
2 High Impact Business location as designated by the Department  
3 of Commerce and Economic Opportunity under Section 5.5 of the  
4 Illinois Enterprise Zone Act or Section 10 of the Green Energy  
5 Business Act may deduct receipts from such sales when  
6 calculating only the 6.25% State rate of tax imposed by this  
7 Act. Beginning on the effective date of this amendatory Act of  
8 1995, a retailer may also deduct receipts from such sales when  
9 calculating any applicable local taxes. However, until the  
10 effective date of this amendatory Act of 1995, a retailer may  
11 file claims for credit or refund to recover the amount of any  
12 applicable local tax paid on such sales. No retailer who is  
13 eligible for the deduction or credit under Section 5k of this  
14 Act for making a sale of building materials to be incorporated  
15 into real estate in an enterprise zone by rehabilitation,  
16 remodeling or new construction shall be eligible for the  
17 deduction or credit authorized under this Section.

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

19 Section 30. The Public Utilities Act is amended by changing  
20 Sections 9-222 and 9-222.1A as follows:

21 (220 ILCS 5/9-222) (from Ch. 111 2/3, par. 9-222)

22 Sec. 9-222. Whenever a tax is imposed upon a public utility  
23 engaged in the business of distributing, supplying,  
24 furnishing, or selling gas for use or consumption pursuant to

1 Section 2 of the Gas Revenue Tax Act, or whenever a tax is  
2 required to be collected by a delivering supplier pursuant to  
3 Section 2-7 of the Electricity Excise Tax Act, or whenever a  
4 tax is imposed upon a public utility pursuant to Section 2-202  
5 of this Act, such utility may charge its customers, other than  
6 customers who are Green Energy Businesses under Section 10 of  
7 the Green Energy Business Act, High Impact Businesses ~~high~~  
8 ~~impact businesses~~ under Section 5.5 of the Illinois Enterprise  
9 Zone Act, or certified business enterprises under Section  
10 9-222.1 of this Act, to the extent of such exemption and during  
11 the period in which such exemption is in effect, in addition to  
12 any rate authorized by this Act, an additional charge equal to  
13 the total amount of such taxes. The exemption of this Section  
14 relating to High Impact Businesses ~~high impact businesses~~ shall  
15 be subject to the provisions of subsections (a), (b), and (b-5)  
16 of Section 5.5 of the Illinois Enterprise Zone Act. The  
17 exemption of this Section relating to Green Energy Businesses  
18 shall be subject to the provisions of subsection (a) of Section  
19 10 of the Green Energy Business Act. This requirement shall not  
20 apply to taxes on invested capital imposed pursuant to the  
21 Messages Tax Act, the Gas Revenue Tax Act and the Public  
22 Utilities Revenue Act. Such utility shall file with the  
23 Commission a supplemental schedule which shall specify such  
24 additional charge and which shall become effective upon filing  
25 without further notice. Such additional charge shall be shown  
26 separately on the utility bill to each customer. The Commission

1 shall have the power to investigate whether or not such  
2 supplemental schedule correctly specifies such additional  
3 charge, but shall have no power to suspend such supplemental  
4 schedule. If the Commission finds, after a hearing, that such  
5 supplemental schedule does not correctly specify such  
6 additional charge, it shall by order require a refund to the  
7 appropriate customers of the excess, if any, with interest, in  
8 such manner as it shall deem just and reasonable, and in and by  
9 such order shall require the utility to file an amended  
10 supplemental schedule corresponding to the finding and order of  
11 the Commission. Except with respect to taxes imposed on  
12 invested capital, such tax liabilities shall be recovered from  
13 customers solely by means of the additional charges authorized  
14 by this Section.

15 (Source: P.A. 91-914, eff. 7-7-00; 92-12, eff. 7-1-01.)

16 (220 ILCS 5/9-222.1A)

17 Sec. 9-222.1A. High impact business or green energy  
18 business. Beginning on August 1, 1998 and thereafter, a  
19 business enterprise that is certified as a High Impact Business  
20 or a Green Energy Business by the Department of Commerce and  
21 Economic Opportunity (formerly Department of Commerce and  
22 Community Affairs) is exempt from the tax imposed by Section  
23 2-4 of the Electricity Excise Tax Law, if the High Impact  
24 Business or Green Energy Business is registered to self-assess  
25 that tax, and is exempt from any additional charges added to

1 the business enterprise's utility bills as a pass-on of State  
2 utility taxes under Section 9-222 of this Act, to the extent  
3 the tax or charges are exempted by the percentage specified by  
4 the Department of Commerce and Economic Opportunity for State  
5 utility taxes, provided the business enterprise meets the  
6 following criteria:

7 (1) (A) it intends either (i) to make a minimum  
8 eligible investment of \$12,000,000 that will be placed  
9 in service in qualified property in Illinois and is  
10 intended to create at least 500 full-time equivalent  
11 jobs at a designated location in Illinois; or (ii) to  
12 make a minimum eligible investment of \$30,000,000 that  
13 will be placed in service in qualified property in  
14 Illinois and is intended to retain at least 1,500  
15 full-time equivalent jobs at a designated location in  
16 Illinois; or

17 (B) it meets the criteria of subdivision  
18 (a) (3) (B), (a) (3) (C), ~~or~~ (a) (3) (D) of Section 5.5 of  
19 the Illinois Enterprise Zone Act, or of subsection (a)  
20 of Section 10 of the Green Energy Business Act;

21 (2) it is designated as a High Impact Business or Green  
22 Energy Business by the Department of Commerce and Economic  
23 Opportunity; and

24 (3) it is certified by the Department of Commerce and  
25 Economic Opportunity as complying with the requirements  
26 specified in clauses (1) and (2) of this Section.

1           The Department of Commerce and Economic Opportunity shall  
2 determine the period during which the exemption from the  
3 Electricity Excise Tax Law and the charges imposed under  
4 Section 9-222 are in effect, which shall not exceed 20 years  
5 from the date of initial certification, and shall specify the  
6 percentage of the exemption from those taxes or additional  
7 charges.

8           The Department of Commerce and Economic Opportunity is  
9 authorized to promulgate rules and regulations to carry out the  
10 provisions of this Section, including procedures for complying  
11 with the requirements specified in clauses (1) and (2) of this  
12 Section and procedures for applying for the exemptions  
13 authorized under this Section; to define the amounts and types  
14 of eligible investments that business enterprises must make in  
15 order to receive State utility tax exemptions or exemptions  
16 from the additional charges imposed under Section 9-222 and  
17 this Section; to approve such utility tax exemptions for  
18 business enterprises whose investments are not yet placed in  
19 service; and to require that business enterprises granted tax  
20 exemptions or exemptions from additional charges under Section  
21 9-222 repay the exempted amount if the business enterprise  
22 fails to comply with the terms and conditions of the  
23 certification.

24           Upon certification of the business enterprises by the  
25 Department of Commerce and Economic Opportunity, the  
26 Department of Commerce and Economic Opportunity shall notify

1 the Department of Revenue of the certification. The Department  
2 of Revenue shall notify the public utilities of the exemption  
3 status of business enterprises from the tax or pass-on charges  
4 of State utility taxes. The exemption status shall take effect  
5 within 3 months after certification of the business enterprise.  
6 (Source: P.A. 94-793, eff. 5-19-06.)

7 Section 99. Effective date. This Act takes effect upon  
8 becoming law.

Rep. Barbara Flynn Currie

Filed: 5/29/2009

09600SB2252ham003

LRB096 10038 RCE 27718 a

1 AMENDMENT TO SENATE BILL 2252

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 2252, AS  
3 AMENDED,

4 by replacing everything after the enacting clause with the  
5 following:

6 "Section 5. The Illinois Income Tax Act is amended by  
7 changing Sections 201, 203, and 804 and by adding Sections  
8 202.5 and 202.6 as follows:

9 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

10 Sec. 201. Tax Imposed.

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

each taxable year ending after July 31, 1969 on the  
privilege

of earning or receiving income in or as a resident of this

14 State. Such tax shall be in addition to all other occupation  
or  
15 privilege taxes imposed by this State or by any municipal  
16 corporation or political subdivision thereof.

09600SB2252ham003

- 2 -

LRB096 10038 RCE 27718 a

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

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

8 (2) In the case of an individual, trust or estate,  
for  
9 taxable years beginning prior to July 1, 1989 and ending  
10 after June 30, 1989, an amount equal to the sum of (i) 2  
11 1/2% of the taxpayer's net income for the period prior  
to  
12 July 1, 1989, as calculated under Section 202.3, and  
(ii)  
13 3% of the taxpayer's net income for the period after  
June  
14 30, 1989, as calculated under Section 202.3.

15 (3) In the case of an individual, trust or estate,  
for  
16 taxable years beginning after June 30, 1989, and ending

17 prior to July 1, 2009, and for taxable years beginning  
18 after June 30, 2011, an amount equal to 3% of the  
19 taxpayer's net income for the taxable year.

20 (4) In the case of an individual, trust, or estate,  
21 for  
22 taxable years beginning prior to July 1, 2009 and ending  
23 after June 30, 2009, an amount equal to the sum of (i)  
24 3%  
25 of the taxpayer's net income for the period prior to  
26 July  
27 1, 2009, as calculated under Section 202.5, and (ii)  
28 4.5%  
29 of the taxpayer's net income for the period after June  
30 30,  
31 2009, as calculated under Section 202.5. (Blank).

09600SB2252ham003

- 3 -

LRB096 10038 RCE 27718 a

1 (5) In the case of an individual, trust, or estate,  
2 for  
3 taxable years beginning after June 30, 2009, and ending  
4 prior to July 1, 2011, an amount equal to 4.5% of the  
5 taxpayer's net income for the taxable year. (Blank).

6 (5.5) In the case of an individual, trust, or  
7 estate,  
8 for taxable years beginning prior to July 1, 2011, and  
9 ending after June 30, 2011, an amount equal to the sum  
10 of  
11 (i) 4.5% of the taxpayer's net income for the period  
12 prior  
13 to July 1, 2011, as calculated under Section 202.6, and

10 (ii) 3% of the taxpayer's net income for the period  
11 after

12 June 30, 2011, as calculated under Section 202.6.

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

17 (7) In the case of a corporation, for taxable years  
18 beginning prior to July 1, 1989 and ending after June  
19 30,

20 1989, an amount equal to the sum of (i) 4% of the  
21 taxpayer's net income for the period prior to July 1,  
22 1989,

23 as calculated under Section 202.3, and (ii) 4.8% of the  
24 taxpayer's net income for the period after June 30,  
25 1989,

26 as calculated under Section 202.3.

(8) In the case of a corporation, for taxable years  
beginning after June 30, 1989, and ending prior to July  
1,

2009, and for taxable years beginning after June 30,  
2011,

an amount equal to 4.8% of the taxpayer's net income for  
the taxable year.

09600SB2252ham003

- 4 -

LRB096 10038 RCE 27718 a

1 (9) In the case of a corporation, for taxable years  
2 beginning prior to July 1, 2009 and ending after June  
30,

3       2009, an amount equal to the sum of (i) 4.8% of the  
4       taxpayer's net income for the period prior to July 1,  
5       2009,  
6       as calculated under Section 202.5, and (ii) 7.2% of the  
7       taxpayer's net income for the period after June 30,  
8       2009,  
9       as calculated under Section 202.5.

10       (10) In the case of a corporation, for taxable years  
11       beginning after June 30, 2009, and ending prior to July  
12       1,  
13       2011, an amount equal to 7.2% of the taxpayer's net  
14       income  
15       for the taxable year.

16       (10.5) In the case of a corporation, for taxable  
17       years  
18       beginning prior to June 30, 2011 and ending after July  
19       1,  
20       2011, an amount equal to the sum of (i) 7.2% of the  
21       taxpayer's net income for the period prior to July 1,  
22       2011,  
23       as calculated under Section 202.6, and (ii) 4.8% of the  
24       taxpayer's net income for the period after June 30,  
25       2011,  
26       as calculated under Section 202.6.

27       (c) Personal Property Tax Replacement Income Tax.  
28 Beginning on July 1, 1979 and thereafter, in addition to  
29 such  
30 income tax, there is also hereby imposed the Personal  
31 Property  
32 Tax Replacement Income Tax measured by net income on every  
33 corporation (including Subchapter S corporations),  
34 partnership  
35 and trust, for each taxable year ending after June 30, 1979.

25 Such taxes are imposed on the privilege of earning or  
receiving  
26 income in or as a resident of this State. The Personal  
Property

09600SB2252ham003

- 5 -

LRB096 10038 RCE 27718 a

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

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

09600SB2252ham003

- 6 -

LRB096 10038 RCE 27718 a

1 reinsurance arrangements), beginning with taxable years  
ending  
2 on or after December 31, 1999, the sum of the rates of tax  
3 imposed by subsections (b) and (d) shall be reduced (but not  
4 increased) to the rate at which the total amount of tax  
imposed  
5 under this Act, net of all credits allowed under this Act,  
6 shall equal (i) the total amount of tax that would be  
imposed  
7 on the foreign insurer's net income allocable to Illinois  
for  
8 the taxable year by such foreign insurer's state or country  
of  
9 domicile if that net income were subject to all income taxes  
10 and taxes measured by net income imposed by such foreign  
11 insurer's state or country of domicile, net of all credits

12 allowed or (ii) a rate of zero if no such tax is imposed on  
such  
13 income by the foreign insurer's state of domicile. For the  
14 purposes of this subsection (d-1), an inter-affiliate  
includes  
15 a mutual insurer under common management.

16 (1) For the purposes of subsection (d-1), in no  
event  
17 shall the sum of the rates of tax imposed by subsections  
18 (b) and (d) be reduced below the rate at which the sum  
of:  
19 (A) the total amount of tax imposed on such  
foreign  
20 insurer under this Act for a taxable year, net of  
all  
21 credits allowed under this Act, plus  
22 (B) the privilege tax imposed by Section 409 of  
the  
23 Illinois Insurance Code, the fire insurance company  
24 tax imposed by Section 12 of the Fire Investigation  
25 Act, and the fire department taxes imposed under  
26 Section 11-10-1 of the Illinois Municipal Code,

09600SB2252ham003

- 7 -

LRB096 10038 RCE 27718 a

1 equals 1.25% for taxable years ending prior to December  
31,  
2 2003, or 1.75% for taxable years ending on or after  
3 December 31, 2003, of the net taxable premiums written  
for

4 the taxable year, as described by subsection (1) of  
5 Section

6 409 of the Illinois Insurance Code. This paragraph will  
7 in

8 no event increase the rates imposed under subsections  
9 (b)

10 and (d).

11 (2) Any reduction in the rates of tax imposed by  
12 this

13 subsection shall be applied first against the rates  
14 imposed

15 by subsection (b) and only after the tax imposed by  
16 subsection (a) net of all credits allowed under this  
17 Section other than the credit allowed under subsection  
18 (i)

19 has been reduced to zero, against the rates imposed by  
20 subsection (d).

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

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

25 against the Personal Property Tax Replacement Income Tax for  
26 investment in qualified property.

(1) A taxpayer shall be allowed a credit equal to  
.5%

of the basis of qualified property placed in service  
during

the taxable year, provided such property is placed in  
service on or after July 1, 1984. There shall be allowed  
an

additional credit equal to .5% of the basis of qualified  
property placed in service during the taxable year,  
provided such property is placed in service on or after

09600SB2252ham003

- 8 -

LRB096 10038 RCE 27718 a

1 July 1, 1986, and the taxpayer's base employment within  
2 Illinois has increased by 1% or more over the preceding  
3 year as determined by the taxpayer's employment records  
4 filed with the Illinois Department of Employment  
Security.

5 Taxpayers who are new to Illinois shall be deemed to  
have  
6 met the 1% growth in base employment for the first year  
in  
7 which they file employment records with the Illinois  
8 Department of Employment Security. The provisions added  
to  
9 this Section by Public Act 85-1200 (and restored by  
Public

10 Act 87-895) shall be construed as declaratory of  
existing  
11 law and not as a new enactment. If, in any year, the  
12 increase in base employment within Illinois over the  
13 preceding year is less than 1%, the additional credit  
shall  
14 be limited to that percentage times a fraction, the  
15 numerator of which is .5% and the denominator of which  
is  
16 1%, but shall not exceed .5%. The investment credit  
shall  
17 not be allowed to the extent that it would reduce a  
18 taxpayer's liability in any tax year below zero, nor may

19 any credit for qualified property be allowed for any  
year  
20 other than the year in which the property was placed in  
21 service in Illinois. For tax years ending on or after  
22 December 31, 1987, and on or before December 31, 1988,  
the  
23 credit shall be allowed for the tax year in which the  
24 property is placed in service, or, if the amount of the  
25 credit exceeds the tax liability for that year, whether  
it  
26 exceeds the original liability or the liability as later

09600SB2252ham003

- 9 -

LRB096 10038 RCE 27718 a

1 amended, such excess may be carried forward and applied  
to  
2 the tax liability of the 5 taxable years following the  
3 excess credit years if the taxpayer (i) makes  
investments  
4 which cause the creation of a minimum of 2,000 full-time  
5 equivalent jobs in Illinois, (ii) is located in an  
6 enterprise zone established pursuant to the Illinois  
7 Enterprise Zone Act and (iii) is certified by the  
8 Department of Commerce and Community Affairs (now  
9 Department of Commerce and Economic Opportunity) as  
10 complying with the requirements specified in clause (i)  
and  
11 (ii) by July 1, 1986. The Department of Commerce and  
12 Community Affairs (now Department of Commerce and  
Economic

13 Opportunity) shall notify the Department of Revenue of  
all  
14 such certifications immediately. For tax years ending  
15 after December 31, 1988, the credit shall be allowed for  
16 the tax year in which the property is placed in service,  
17 or, if the amount of the credit exceeds the tax  
liability  
18 for that year, whether it exceeds the original liability  
or  
19 the liability as later amended, such excess may be  
carried  
20 forward and applied to the tax liability of the 5  
taxable  
21 years following the excess credit years. The credit  
shall  
22 be applied to the earliest year for which there is a  
23 liability. If there is credit from more than one tax  
year  
24 that is available to offset a liability, earlier credit  
25 shall be applied first.

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

09600SB2252ham003

- 10 -

LRB096 10038 RCE 27718 a

1 which:

2 (A) is tangible, whether new or used, including  
3 buildings and structural components of buildings and  
4 signs that are real property, but not including land  
or  
5 improvements to real property that are not a  
structural

6 component of a building such as landscaping, sewer  
7 lines, local access roads, fencing, parking lots,  
and  
8 other appurtenances;

9 (B) is depreciable pursuant to Section 167 of  
the  
10 Internal Revenue Code, except that "3-year property"  
11 as defined in Section 168(c)(2)(A) of that Code is  
not  
12 eligible for the credit provided by this subsection  
13 (e);

14 (C) is acquired by purchase as defined in  
Section  
15 179(d) of the Internal Revenue Code;

16 (D) is used in Illinois by a taxpayer who is  
17 primarily engaged in manufacturing, or in mining  
coal  
18 or fluorite, or in retailing, or was placed in  
service  
19 on or after July 1, 2006 in a River Edge  
Redevelopment  
20 Zone established pursuant to the River Edge  
21 Redevelopment Zone Act; and

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

26 (3) For purposes of this subsection (e),

1 "manufacturing" means the material staging and  
production  
2 of tangible personal property by procedures commonly  
3 regarded as manufacturing, processing, fabrication, or  
4 assembling which changes some existing material into new  
5 shapes, new qualities, or new combinations. For purposes  
of  
6 this subsection (e) the term "mining" shall have the  
same  
7 meaning as the term "mining" in Section 613(c) of the  
8 Internal Revenue Code. For purposes of this subsection  
(e),  
9 the term "retailing" means the sale of tangible personal  
10 property or services rendered in conjunction with the  
sale  
11 of tangible consumer goods or commodities.

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

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

20 (6) The term "placed in service" shall have the same

21 meaning as under Section 46 of the Internal Revenue  
Code.

22 (7) If during any taxable year, any property ceases  
to

23 be qualified property in the hands of the taxpayer  
within

24 48 months after being placed in service, or the situs of  
25 any qualified property is moved outside Illinois within  
48

26 months after being placed in service, the Personal  
Property

09600SB2252ham003

- 12 -

LRB096 10038 RCE 27718 a

1 Tax Replacement Income Tax 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 (7), 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 (8) Unless the investment credit is extended by law,  
13 the basis of qualified property shall not include costs  
14 incurred after December 31, 2008, except for costs  
incurred  
15 pursuant to a binding contract entered into on or before  
16 December 31, 2008.

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

09600SB2252ham003

- 13 -

LRB096 10038 RCE 27718 a

1 promulgated under that Section, and the allocated amount  
of  
2 the credits shall be allowed to the partners for that  
3 taxable year. The partnership shall make this election  
on  
4 its Personal Property Tax Replacement Income Tax return  
for

5 that taxable year. The election to pass through the  
credits

6 shall be irrevocable.

7 For taxable years ending on or after December 31,  
2000,

8 a partner that qualifies its partnership for a  
subtraction

9 under subparagraph (I) of paragraph (2) of subsection  
(d)

10 of Section 203 or a shareholder that qualifies a  
Subchapter

11 S corporation for a subtraction under subparagraph (S)  
of

12 paragraph (2) of subsection (b) of Section 203 shall be  
13 allowed a credit under this subsection (e) equal to its  
14 share of the credit earned under this subsection (e)  
during

15 the taxable year by the partnership or Subchapter S  
16 corporation, determined in accordance with the  
17 determination of income and distributive share of income  
18 under Sections 702 and 704 and Subchapter S of the  
Internal

19 Revenue Code. This paragraph is exempt from the  
provisions

20 of Section 250.

21 (f) Investment credit; Enterprise Zone; River Edge  
22 Redevelopment Zone.

23 (1) A taxpayer shall be allowed a credit against the  
24 tax imposed by subsections (a) and (b) of this Section  
for

25 investment in qualified property which is placed in  
service

26 in an Enterprise Zone created pursuant to the Illinois

09600SB2252ham003

- 14 -

LRB096 10038 RCE 27718 a

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

19 31, 1985, the credit shall be allowed for the tax year  
in  
20 which the property is placed in service, or, if the  
amount  
21 of the credit exceeds the tax liability for that year,  
22 whether it exceeds the original liability or the  
liability  
23 as later amended, such excess may be carried forward and  
24 applied to the tax liability of the 5 taxable years  
25 following the excess credit year. The credit shall be  
26 applied to the earliest year for which there is a

09600SB2252ham003

- 15 -

LRB096 10038 RCE 27718 a

1 liability. If there is credit from more than one tax  
year  
2 that is available to offset a liability, the credit  
3 accruing first in time shall be applied first.

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

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

7 (B) is depreciable pursuant to Section 167 of  
the

8 Internal Revenue Code, except that "3-year property"  
9 as defined in Section 168(c)(2)(A) of that Code is  
not

10 eligible for the credit provided by this subsection  
11 (f);

12 (C) is acquired by purchase as defined in  
Section

13 179(d) of the Internal Revenue Code;

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

16 (E) has not been previously used in Illinois in  
17 such a manner and by such a person as would qualify  
for

18 the credit provided by this subsection (f) or  
19 subsection (e).

20 (3) The basis of qualified property shall be the  
basis

21 used to compute the depreciation deduction for federal  
22 income tax purposes.

23 (4) If the basis of the property for federal income  
tax

24 depreciation purposes is increased after it has been  
placed

25 in service in the Enterprise Zone or River Edge

26 Redevelopment Zone by the taxpayer, the amount of such

09600SB2252ham003

- 16 -

LRB096 10038 RCE 27718 a

1 increase shall be deemed property placed in service on  
the

2 date of such increase in basis.

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

5 (6) If during any taxable year, any property ceases  
to

6 be qualified property in the hands of the taxpayer  
within

7 48 months after being placed in service, or the situs of  
8 any qualified property is moved outside the Enterprise  
Zone

9 or River Edge Redevelopment Zone within 48 months after  
10 being placed in service, the tax imposed under  
subsections

11 (a) and (b) of this Section for such taxable year shall  
be

12 increased. Such increase shall be determined by (i)  
13 recomputing the investment credit which would have been  
14 allowed for the year in which credit for such property  
was

15 originally allowed by eliminating such property from  
such

16 computation, and (ii) subtracting such recomputed credit  
17 from the amount of credit previously allowed. For the  
18 purposes of this paragraph (6), a reduction of the basis  
of

19 qualified property resulting from a redetermination of  
the

20 purchase price shall be deemed a disposition of  
qualified

21 property to the extent of such reduction.

22 (7) There shall be allowed an additional credit  
equal

23 to 0.5% of the basis of qualified property placed in  
24 service during the taxable year in a River Edge  
25 Redevelopment Zone, provided such property is placed in  
26 service on or after July 1, 2006, and the taxpayer's  
base

09600SB2252ham003

- 17 -

LRB096 10038 RCE 27718 a

1 employment within Illinois has increased by 1% or more  
2 over  
3 the preceding year as determined by the taxpayer's  
4 employment records filed with the Illinois Department of  
5 Employment Security. Taxpayers who are new to Illinois  
6 shall be deemed to have met the 1% growth in base  
7 employment  
8 records with the Illinois Department of Employment  
9 Security. If, in any year, the increase in base  
10 employment  
11 within Illinois over the preceding year is less than 1%,  
12 the additional credit shall be limited to that  
13 percentage  
14 times a fraction, the numerator of which is 0.5% and the  
15 denominator of which is 1%, but shall not exceed 0.5%.  
16 (g) Jobs Tax Credit; Enterprise Zone, River Edge  
17 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.  
18 (1) A taxpayer conducting a trade or business in an  
19 enterprise zone or a High Impact Business designated by  
20 the  
21 Department of Commerce and Economic Opportunity or for  
taxable years ending on or after December 31, 2006, in a  
River Edge Redevelopment Zone conducting a trade or  
business in a federally designated Foreign Trade Zone or  
Sub-Zone shall be allowed a credit against the tax  
imposed

22 by subsections (a) and (b) of this Section in the amount  
of  
23 \$500 per eligible employee hired to work in the zone  
during  
24 the taxable year.

25 (2) To qualify for the credit:

26 (A) the taxpayer must hire 5 or more eligible

09600SB2252ham003 - 18 - LRB096 10038 RCE 27718 a

1 employees to work in an enterprise zone, River Edge  
2 Redevelopment Zone, or federally designated Foreign  
3 Trade Zone or Sub-Zone during the taxable year;

4 (B) the taxpayer's total employment within the  
5 enterprise zone, River Edge Redevelopment Zone, or  
6 federally designated Foreign Trade Zone or Sub-Zone  
7 must increase by 5 or more full-time employees

beyond

8 the total employed in that zone at the end of the  
9 previous tax year for which a jobs tax credit under  
10 this Section was taken, or beyond the total employed

by

11 the taxpayer as of December 31, 1985, whichever is  
12 later; and

13 (C) the eligible employees must be employed 180  
14 consecutive days in order to be deemed hired for  
15 purposes of this subsection.

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

17 (A) Certified by the Department of Commerce and  
18 Economic Opportunity as "eligible for services"

19           pursuant to regulations promulgated in accordance  
with  
20           Title II of the Job Training Partnership Act,  
Training  
21           Services for the Disadvantaged or Title III of the  
Job  
22           Training Partnership Act, Employment and Training  
23           Assistance for Dislocated Workers Program.

24           (B) Hired after the enterprise zone, River Edge  
25           Redevelopment Zone, or federally designated Foreign  
26           Trade Zone or Sub-Zone was designated or the trade  
or

09600SB2252ham003

- 19 -

LRB096 10038 RCE 27718 a

1           business was located in that zone, whichever is  
later.

2           (C) Employed in the enterprise zone, River Edge  
3           Redevelopment Zone, or Foreign Trade Zone or Sub-  
Zone.

4           An employee is employed in an enterprise zone or  
5           federally designated Foreign Trade Zone or Sub-Zone  
if  
6           his services are rendered there or it is the base of  
7           operations for the services performed.

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

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

11 and prior to December 31, 1988, the credit shall be  
allowed

12 for the tax year in which the eligible employees are  
hired.

13 For tax years ending on or after December 31, 1988, the  
14 credit shall be allowed for the tax year immediately  
15 following the tax year in which the eligible employees  
are

16 hired. If the amount of the credit exceeds the tax  
17 liability for that year, whether it exceeds the original  
18 liability or the liability as later amended, such excess  
19 may be carried forward and applied to the tax liability  
of

20 the 5 taxable years following the excess credit year.

The  
21 credit shall be applied to the earliest year for which  
22 there is a liability. If there is credit from more than  
one

23 tax year that is available to offset a liability,  
earlier

24 credit shall be applied first.

25 (5) The Department of Revenue shall promulgate such  
26 rules and regulations as may be deemed necessary to  
carry

09600SB2252ham003

- 20 -

LRB096 10038 RCE 27718 a

1 out the purposes of this subsection (g).

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

4 (h) Investment credit; High Impact Business.

5 (1) Subject to subsections (b) and (b-5) of Section  
5.5

6 of the Illinois Enterprise Zone Act, a taxpayer shall be  
7 allowed a credit against the tax imposed by subsections

(a)

8 and (b) of this Section for investment in qualified  
9 property which is placed in service by a Department of  
10 Commerce and Economic Opportunity designated High Impact  
11 Business. The credit shall be .5% of the basis for such  
12 property. The credit shall not be available (i) until

the

13 minimum investments in qualified property set forth in  
14 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
15 Enterprise Zone Act have been satisfied or (ii) until

the

16 time authorized in subsection (b-5) of the Illinois  
17 Enterprise Zone Act for entities designated as High

Impact

18 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
19 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
20 Act, and shall not be allowed to the extent that it

would

21 reduce a taxpayer's liability for the tax imposed by  
22 subsections (a) and (b) of this Section to below zero.

The

23 credit applicable to such investments shall be taken in  
the

24 taxable year in which such investments have been  
completed.

25 The credit for additional investments beyond the minimum

26 investment by a designated high impact business  
authorized

09600SB2252ham003

- 21 -

LRB096 10038 RCE 27718 a

1 under subdivision (a)(3)(A) of Section 5.5 of the  
Illinois

2 Enterprise Zone Act shall be available only in the  
taxable

3 year in which the property is placed in service and  
shall

4 not be allowed to the extent that it would reduce a  
5 taxpayer's liability for the tax imposed by subsections  
(a)

6 and (b) of this Section to below zero. For tax years  
ending

7 on or after December 31, 1987, the credit shall be  
allowed

8 for the tax year in which the property is placed in  
9 service, or, if the amount of the credit exceeds the tax  
10 liability for that year, whether it exceeds the original  
11 liability or the liability as later amended, such excess  
12 may be carried forward and applied to the tax liability  
of

13 the 5 taxable years following the excess credit year.

The

14 credit shall be applied to the earliest year for which  
15 there is a liability. If there is credit from more than  
one

16 tax year that is available to offset a liability, the  
17 credit accruing first in time shall be applied first.

18 Changes made in this subdivision (h)(1) by Public  
Act  
19 88-670 restore changes made by Public Act 85-1182 and  
20 reflect existing law.

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

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

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

09600SB2252ham003

- 22 -

LRB096 10038 RCE 27718 a

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

3 (C) is acquired by purchase as defined in  
Section

4 179(d) of the Internal Revenue Code; and

5 (D) is not eligible for the Enterprise Zone  
6 Investment Credit provided by subsection (f) of this  
7 Section.

8 (3) The basis of qualified property shall be the  
basis

9 used to compute the depreciation deduction for federal  
10 income tax purposes.

11 (4) If the basis of the property for federal income  
tax

12 depreciation purposes is increased after it has been  
placed  
13 in service in a federally designated Foreign Trade Zone  
or  
14 Sub-Zone located in Illinois by the taxpayer, the amount  
of  
15 such increase shall be deemed property placed in service  
on  
16 the date of such increase in basis.

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

19 (6) If during any taxable year ending on or before  
20 December 31, 1996, any property ceases to be qualified  
21 property in the hands of the taxpayer within 48 months  
22 after being placed in service, or the situs of any  
23 qualified property is moved outside Illinois within 48  
24 months after being placed in service, the tax imposed  
under  
25 subsections (a) and (b) of this Section for such taxable  
26 year shall be increased. Such increase shall be  
determined

09600SB2252ham003

- 23 -

LRB096 10038 RCE 27718 a

1 by (i) recomputing the investment credit which would  
have  
2 been allowed for the year in which credit for such  
property  
3 was originally allowed by eliminating such property from  
4 such computation, and (ii) subtracting such recomputed

5 credit from the amount of credit previously allowed. For  
6 the purposes of this paragraph (6), a reduction of the  
7 basis of qualified property resulting from a  
8 redetermination of the purchase price shall be deemed a  
9 disposition of qualified property to the extent of such  
10 reduction.

11 (7) Beginning with tax years ending after December  
12 31,  
13 1996, if a taxpayer qualifies for the credit under this  
14 subsection (h) and thereby is granted a tax abatement  
15 and  
16 the taxpayer relocates its entire facility in violation  
17 of  
18 the explicit terms and length of the contract under  
19 Section  
20 18-183 of the Property Tax Code, the tax imposed under  
21 subsections (a) and (b) of this Section shall be  
22 increased  
23 for the taxable year in which the taxpayer relocated its  
24 facility by an amount equal to the amount of credit  
25 received by the taxpayer under this subsection (h).

26 (i) Credit for Personal Property Tax Replacement Income  
Tax. For tax years ending prior to December 31, 2003, a  
credit  
shall be allowed against the tax imposed by subsections (a)  
and  
(b) of this Section for the tax imposed by subsections (c)  
and  
(d) of this Section. This credit shall be computed by  
multiplying the tax imposed by subsections (c) and (d) of  
this

09600SB2252ham003

- 24 -

LRB096 10038 RCE 27718 a

1 Section by a fraction, the numerator of which is base income  
2 allocable to Illinois and the denominator of which is  
3 Illinois

4 base income, and further multiplying the product by the tax  
5 rate imposed by subsections (a) and (b) of this Section.

6 Any credit earned on or after December 31, 1986 under  
7 this

8 subsection which is unused in the year the credit is  
9 computed

10 because it exceeds the tax liability imposed by subsections  
11 (a)

12 and (b) for that year (whether it exceeds the original

13 liability or the liability as later amended) may be carried

14 forward and applied to the tax liability imposed by  
15 subsections

16 (a) and (b) of the 5 taxable years following the excess  
17 credit

18 year, provided that no credit may be carried forward to any  
19 year ending on or after December 31, 2003. This credit shall  
20 be

21 applied first to the earliest year for which there is a

22 liability. If there is a credit under this subsection from  
23 more

24 than one tax year that is available to offset a liability  
25 the

26 earliest credit arising under this subsection shall be  
27 applied

28 first.

29 If, during any taxable year ending on or after December  
30 31,

20 1986, the tax imposed by subsections (c) and (d) of this  
21 Section for which a taxpayer has claimed a credit under this  
22 subsection (i) is reduced, the amount of credit for such tax  
23 shall also be reduced. Such reduction shall be determined by  
24 recomputing the credit to take into account the reduced tax  
25 imposed by subsections (c) and (d). If any portion of the  
26 reduced amount of credit has been carried to a different

09600SB2252ham003

- 25 -

LRB096 10038 RCE 27718 a

1 taxable year, an amended return shall be filed for such  
taxable

2 year to reduce the amount of credit claimed.

3 (j) Training expense credit. Beginning with tax years  
4 ending on or after December 31, 1986 and prior to December  
31,

5 2003, a taxpayer shall be allowed a credit against the tax  
6 imposed by subsections (a) and (b) under this Section for  
all

7 amounts paid or accrued, on behalf of all persons employed  
by

8 the taxpayer in Illinois or Illinois residents employed  
outside

9 of Illinois by a taxpayer, for educational or vocational  
10 training in semi-technical or technical fields or semi-  
skilled

11 or skilled fields, which were deducted from gross income in  
the

12 computation of taxable income. The credit against the tax

13 imposed by subsections (a) and (b) shall be 1.6% of such

14 training expenses. For partners, shareholders of subchapter  
S

15 corporations, and owners of limited liability companies, if  
the  
16 liability company is treated as a partnership for purposes  
of  
17 federal and State income taxation, there shall be allowed a  
18 credit under this subsection (j) to be determined in  
accordance  
19 with the determination of income and distributive share of  
20 income under Sections 702 and 704 and subchapter S of the  
21 Internal Revenue Code.

22 Any credit allowed under this subsection which is unused  
in  
23 the year the credit is earned may be carried forward to each  
of  
24 the 5 taxable years following the year for which the credit  
is  
25 first computed until it is used. This credit shall be  
applied  
26 first to the earliest year for which there is a liability.  
If

09600SB2252ham003

- 26 -

LRB096 10038 RCE 27718 a

1 there is a credit under this subsection from more than one  
tax  
2 year that is available to offset a liability the earliest  
3 credit arising under this subsection shall be applied first.  
No  
4 carryforward credit may be claimed in any tax year ending on  
or  
5 after December 31, 2003.

6 (k) Research and development credit.

7 For tax years ending after July 1, 1990 and prior to

8 December 31, 2003, and beginning again for tax years ending  
on  
9 or after December 31, 2004, a taxpayer shall be allowed a  
10 credit against the tax imposed by subsections (a) and (b) of  
11 this Section for increasing research activities in this  
State.  
12 The credit allowed against the tax imposed by subsections  
(a)  
13 and (b) shall be equal to 6 1/2% of the qualifying  
expenditures  
14 for increasing research activities in this State. For  
partners,  
15 shareholders of subchapter S corporations, and owners of  
16 limited liability companies, if the liability company is  
17 treated as a partnership for purposes of federal and State  
18 income taxation, there shall be allowed a credit under this  
19 subsection to be determined in accordance with the  
20 determination of income and distributive share of income  
under  
21 Sections 702 and 704 and subchapter S of the Internal  
Revenue  
22 Code.

23 For purposes of this subsection, "qualifying  
expenditures"  
24 means the qualifying expenditures as defined for the federal  
25 credit for increasing research activities which would be  
26 allowable under Section 41 of the Internal Revenue Code and

09600SB2252ham003

- 27 -

LRB096 10038 RCE 27718 a

1 which are conducted in this State, "qualifying expenditures  
for

2 increasing research activities in this State" means the  
excess  
3 of qualifying expenditures for the taxable year in which  
4 incurred over qualifying expenditures for the base period,  
5 "qualifying expenditures for the base period" means the  
average  
6 of the qualifying expenditures for each year in the base  
7 period, and "base period" means the 3 taxable years  
immediately  
8 preceding the taxable year for which the determination is  
being  
9 made.

10 Any credit in excess of the tax liability for the  
taxable  
11 year may be carried forward. A taxpayer may elect to have  
the  
12 unused credit shown on its final completed return carried  
over  
13 as a credit against the tax liability for the following 5  
14 taxable years or until it has been fully used, whichever  
occurs  
15 first; provided that no credit earned in a tax year ending  
16 prior to December 31, 2003 may be carried forward to any  
year  
17 ending on or after December 31, 2003.

18 If an unused credit is carried forward to a given year  
from  
19 2 or more earlier years, that credit arising in the earliest  
20 year will be applied first against the tax liability for the  
21 given year. If a tax liability for the given year still  
22 remains, the credit from the next earliest year will then be  
23 applied, and so on, until all credits have been used or no  
tax  
24 liability for the given year remains. Any remaining unused  
25 credit or credits then will be carried forward to the next

26 following year in which a tax liability is incurred, except

09600SB2252ham003

- 28 -

LRB096 10038 RCE 27718 a

1 that no credit can be carried forward to a year which is  
more  
2 than 5 years after the year in which the expense for which  
the  
3 credit is given was incurred.

4 No inference shall be drawn from this amendatory Act of  
the  
5 91st General Assembly in construing this Section for taxable  
6 years beginning before January 1, 1999.

7 (1) Environmental Remediation Tax Credit.

8 (i) For tax years ending after December 31, 1997 and  
on

9 or before December 31, 2001, a taxpayer shall be allowed  
a

10 credit against the tax imposed by subsections (a) and  
(b)

11 of this Section for certain amounts paid for  
unreimbursed

12 eligible remediation costs, as specified in this  
13 subsection. For purposes of this Section, "unreimbursed  
14 eligible remediation costs" means costs approved by the  
15 Illinois Environmental Protection Agency ("Agency")

under

16 Section 58.14 of the Environmental Protection Act that  
were

17 paid in performing environmental remediation at a site  
for

18 which a No Further Remediation Letter was issued by the  
19 Agency and recorded under Section 58.10 of the  
20 Environmental Protection Act. The credit must be claimed  
21 for the taxable year in which Agency approval of the  
22 eligible remediation costs is granted. The credit is not  
23 available to any taxpayer if the taxpayer or any related  
24 party caused or contributed to, in any material respect,  
a  
25 release of regulated substances on, in, or under the  
site  
26 that was identified and addressed by the remedial action

09600SB2252ham003

- 29 -

LRB096 10038 RCE 27718 a

1 pursuant to the Site Remediation Program of the  
2 Environmental Protection Act. After the Pollution  
Control  
3 Board rules are adopted pursuant to the Illinois  
4 Administrative Procedure Act for the administration and  
5 enforcement of Section 58.9 of the Environmental  
6 Protection Act, determinations as to credit availability  
7 for purposes of this Section shall be made consistent  
with  
8 those rules. For purposes of this Section, "taxpayer"  
9 includes a person whose tax attributes the taxpayer has  
10 succeeded to under Section 381 of the Internal Revenue  
Code  
11 and "related party" includes the persons disallowed a  
12 deduction for losses by paragraphs (b), (c), and (f)(1)  
of

13 Section 267 of the Internal Revenue Code by virtue of  
being  
14 a related taxpayer, as well as any of its partners. The  
15 credit allowed against the tax imposed by subsections  
(a)  
16 and (b) shall be equal to 25% of the unreimbursed  
eligible  
17 remediation costs in excess of \$100,000 per site, except  
18 that the \$100,000 threshold shall not apply to any site  
19 contained in an enterprise zone as determined by the  
20 Department of Commerce and Community Affairs (now  
21 Department of Commerce and Economic Opportunity). The  
22 total credit allowed shall not exceed \$40,000 per year  
with  
23 a maximum total of \$150,000 per site. For partners and  
24 shareholders of subchapter S corporations, there shall  
be  
25 allowed a credit under this subsection to be determined  
in  
26 accordance with the determination of income and

09600SB2252ham003

- 30 -

LRB096 10038 RCE 27718 a

1 distributive share of income under Sections 702 and 704  
and  
2 subchapter S of the Internal Revenue Code.  
3 (ii) A credit allowed under this subsection that is  
4 unused in the year the credit is earned may be carried  
5 forward to each of the 5 taxable years following the  
year

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

09600SB2252ham003

- 31 -

LRB096 10038 RCE 27718 a

1 eligible under the provisions of subsection (i).

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

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

7 of one or more qualifying pupils shall be allowed a credit  
8 against the tax imposed by subsections (a) and (b) of this  
9 Section for qualified education expenses incurred on behalf  
of

10 the qualifying pupils. The credit shall be equal to 25% of  
11 qualified education expenses, but in no event may the total  
12 credit under this subsection claimed by a family that is the  
13 custodian of qualifying pupils exceed \$500. In no event  
shall a

14 credit under this subsection reduce the taxpayer's liability  
15 under this Act to less than zero. This subsection is exempt  
16 from the provisions of Section 250 of this Act.

17 For purposes of this subsection:

18 "Qualifying pupils" means individuals who (i) are  
19 residents of the State of Illinois, (ii) are under the age  
of

20 21 at the close of the school year for which a credit is  
21 sought, and (iii) during the school year for which a credit  
is

22 sought were full-time pupils enrolled in a kindergarten  
through

23 twelfth grade education program at any school, as defined in

24 this subsection.

25 "Qualified education expense" means the amount incurred  
on  
26 behalf of a qualifying pupil in excess of \$250 for tuition,

09600SB2252ham003

- 32 -

LRB096 10038 RCE 27718 a

1 book fees, and lab fees at the school in which the pupil is  
2 enrolled during the regular school year.

3 "School" means any public or nonpublic elementary or  
4 secondary school in Illinois that is in compliance with  
Title

5 VI of the Civil Rights Act of 1964 and attendance at which  
6 satisfies the requirements of Section 26-1 of the School  
Code,

7 except that nothing shall be construed to require a child to  
8 attend any particular public or nonpublic school to qualify  
for

9 the credit under this Section.

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

13 (n) River Edge Redevelopment Zone site remediation tax  
14 credit.

15 (i) For tax years ending on or after December 31,  
2006,

16 a taxpayer shall be allowed a credit against the tax  
17 imposed by subsections (a) and (b) of this Section for  
18 certain amounts paid for unreimbursed eligible  
remediation

19 costs, as specified in this subsection. For purposes of

20 this Section, "unreimbursed eligible remediation costs"  
21 means costs approved by the Illinois Environmental  
22 Protection Agency ("Agency") under Section 58.14a of the  
23 Environmental Protection Act that were paid in  
performing  
24 environmental remediation at a site within a River Edge  
25 Redevelopment Zone for which a No Further Remediation  
26 Letter was issued by the Agency and recorded under  
Section

09600SB2252ham003

- 33 -

LRB096 10038 RCE 27718 a

1 58.10 of the Environmental Protection Act. The credit  
must  
2 be claimed for the taxable year in which Agency approval  
of  
3 the eligible remediation costs is granted. The credit is  
4 not available to any taxpayer if the taxpayer or any  
5 related party caused or contributed to, in any material  
6 respect, a release of regulated substances on, in, or  
under  
7 the site that was identified and addressed by the  
remedial  
8 action pursuant to the Site Remediation Program of the  
9 Environmental Protection Act. Determinations as to  
credit  
10 availability for purposes of this Section shall be made  
11 consistent with rules adopted by the Pollution Control  
12 Board pursuant to the Illinois Administrative Procedure

13 Act for the administration and enforcement of Section  
58.9  
14 of the Environmental Protection Act. For purposes of  
this  
15 Section, "taxpayer" includes a person whose tax  
attributes  
16 the taxpayer has succeeded to under Section 381 of the  
17 Internal Revenue Code and "related party" includes the  
18 persons disallowed a deduction for losses by paragraphs  
19 (b), (c), and (f)(1) of Section 267 of the Internal  
Revenue  
20 Code by virtue of being a related taxpayer, as well as  
any  
21 of its partners. The credit allowed against the tax  
imposed  
22 by subsections (a) and (b) shall be equal to 25% of the  
23 unreimbursed eligible remediation costs in excess of  
24 \$100,000 per site.  
25 (ii) A credit allowed under this subsection that is  
26 unused in the year the credit is earned may be carried

09600SB2252ham003

- 34 -

LRB096 10038 RCE 27718 a

1 forward to each of the 5 taxable years following the  
year  
2 for which the credit is first earned until it is used.  
This  
3 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  
6 to  
7 offset a liability, the earliest credit arising under  
8 this  
9 subsection shall be applied first. A credit allowed  
10 under  
11 this subsection may be sold to a buyer as part of a sale  
12 of  
13 all or part of the remediation site for which the credit  
14 was granted. The purchaser of a remediation site and the  
15 tax credit shall succeed to the unused credit and  
16 remaining  
17 carry-forward period of the seller. To perfect the  
18 transfer, the assignor shall record the transfer in the  
19 chain of title for the site and provide written notice  
20 to  
21 the Director of the Illinois Department of Revenue of  
22 the  
23 assignor's intent to sell the remediation site and the  
24 amount of the tax credit to be transferred as a portion  
25 of  
26 the sale. In no event may a credit be transferred to any  
27 taxpayer if the taxpayer or a related party would not be  
28 eligible under the provisions of subsection (i).

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

32 (iv) This subsection is exempt from the provisions  
33 of  
34 Section 250.

35 (Source: P.A. 94-1021, eff. 7-12-06; 95-454, eff. 8-27-07.)

09600SB2252ham003

- 35 -

LRB096 10038 RCE 27718 a

1 (35 ILCS 5/202.5 new)

2 Sec. 202.5. Net income attributable to the period prior  
3 to  
4 July 1, 2009 and net income attributable to the period after  
5 June 30, 2009.

6 (a) In general. With respect to the taxable year of a  
7 taxpayer beginning prior to July 1, 2009, and ending after  
8 June  
9 30, 2009, net income (before exemptions) for the period  
10 after  
11 June 30, 2009, is that amount that bears the same ratio to  
12 the  
13 taxpayer's net income (before exemptions) for the entire  
14 taxable year as the number of months in that year after June  
15 30, 2009, bears to the total number of months in that year,  
16 and  
17 the net income (before exemptions) for the period prior to  
18 July  
19 1, 2009 is that amount that bears the same ratio to the  
20 taxpayer's net income (before exemptions) for the entire  
taxable year as the number of months in that year prior to  
July  
1, 2009, bears to the total number of months in that year.

17 (b) Election to attribute income and deduction items  
18 specifically to the respective portions of a taxable year  
19 prior  
20 to July 1, 2009, and after June 30, 2009. In the case of a  
taxpayer with a taxable year beginning prior to July 1,  
2009,

21 and ending after June 30, 2009, the taxpayer may elect,  
22 instead  
23 of the procedure established in subsection (a) of this  
24 Section,  
25 to determine net income (before exemptions) on a specific  
accounting basis for the 2 portions of his or her taxable  
year:  
(i) from the beginning of the taxable year through  
June

09600SB2252ham003

- 36 -

LRB096 10038 RCE 27718 a

1 30, 2009; and

2 (ii) from July 1, 2009 through the end of the  
3 taxable  
4 year.

5 The election provided by this subsection (b) must be  
6 made  
7 in the form and manner that the Department requires by rule,  
8 and must be made no later than the due date (including any  
9 extensions thereof) for the filing of the return for the  
10 taxable year, and is irrevocable.

11 (c) If the taxpayer elects specific accounting under  
12 subsection (b):

13 (1) there shall be taken into account in computing  
14 base  
income for each of the 2 portions of the taxable year  
only  
those items earned, received, paid, incurred or accrued  
in  
each such period;

15           (2) for purposes of apportioning business income of  
16           the  
17           taxpayer, the provisions in Article 3 shall be applied  
18           on  
19           the basis of the taxpayer's full taxable year, without  
20           regard to this Section;  
21           (3) the net loss carryforward deduction for the  
22           taxable  
23           year under Section 207 may not exceed combined net  
24           income  
25           (before exemptions) of both portions of the taxable  
26           year,  
              and shall be used against the net income (before  
              exemptions) of the portion of the taxable year from the  
              beginning of the taxable year through June 30, 2009,  
              before  
              any remaining amount is used against the net income  
              (before  
              exemptions) of the latter portion of the year; and

09600SB2252ham003

- 37 -

LRB096 10038 RCE 27718 a

1           (d) Under subsection (a) or (b):  
2           (1) the exemptions allowed under Section 204 for the  
3           period prior to July 1, 2009, shall be equal to the  
4           total  
5           exemptions that would be allowed for the taxable year  
6           under  
7           Section 204, multiplied by the number of months in the  
              portion of the taxable year ending on June 30, 2009 and  
              divided by 12; and

8           (2) the exemptions allowed under Section 204 for the  
9           period after June 30, 2009, through the end of the  
10           taxable  
11           year shall be equal to the total exemptions allowed  
12           under  
13           Section 204 for the taxable year, multiplied by the  
14           number  
15           of months in the taxable year for the period beginning  
16           on  
17           July 1, 2009 and divided by 12.

14           (35 ILCS 5/202.6 new)  
15           Sec. 202.6. Net income attributable to the period prior  
16           to  
17           July 1, 2011 and net income attributable to the period after  
18           June 30, 2011.

18           (a) In general. With respect to the taxable year of a  
19           taxpayer beginning prior to July 1, 2011 and ending after  
20           June  
21           30, 2011, net income (before exemptions) for the period  
22           after  
23           June 30, 2011, is that amount that bears the same ratio to  
24           the  
25           taxpayer's net income (before exemptions) for the entire  
26           taxable year as the number of months in that year after June  
27           30, 2011, bears to the total number of months in that year,  
28           and  
29           the net income (before exemptions) income for the period  
30           prior

1 to July 1, 2011 is that amount that bears the same ratio to  
2 the  
3 taxpayer's net income (before exemptions) for the entire  
4 taxable year as the number of months in that year prior to  
5 July  
6 1, 2011, bears to the total number of months in that year.

7 (b) Election to attribute income and deduction items  
8 specifically to the respective portions of a taxable year  
9 prior  
10 to July 1, 2011, and after June 30, 2011. In the case of a  
11 taxpayer with a taxable year beginning prior to July 1,  
12 2011,

13 and ending after June 30, 2011, the taxpayer may elect,  
14 instead

15 of the procedure established in subsection (a) of this  
16 Section,

17 to determine net income (before exemptions) on a specific  
18 accounting basis for the 2 portions of his or her taxable  
19 year:

20 (1) from the beginning of the taxable year through  
21 June

22 30, 2011; and

23 (2) from July 1, 2011, through the end of the  
24 taxable

25 year. The election provided by this subsection (b) must  
26 be

27 made in form and manner that the Department requires by  
28 rule, and must be made no later than the due date

29 (including any extensions thereof) for the filing of the  
30 return for the taxable year, and is irrevocable.

31 (c) If the taxpayer elects specific accounting under  
32 subsection (b):

33 (1) there shall be taken into account in computing  
34 base

24 income for each of the 2 portions of the taxable year  
25 only  
26 those items earned, received, paid, incurred or accrued  
in  
each such period;

09600SB2252ham003

- 39 -

LRB096 10038 RCE 27718 a

1 (2) for purposes of apportioning business income of  
2 the  
3 taxpayer, the provisions in Article 3 shall be applied  
4 on  
5 the basis of the taxpayer's full taxable year, without  
6 regard to this Section;

7 (3) the net loss carryforward deduction for the  
8 taxable  
9 year under Section 207 may not exceed combined net  
10 income  
11 (before exemptions) of both portions of the taxable  
12 year,  
13 and shall be used against the net income (before  
14 exemptions) of the portion of the taxable year from the  
15 beginning of the taxable year through June 30, 2011,  
before  
any remaining amount is used against the net income  
(before  
exemptions) of the latter portion of the year.

13 (d) Under subsection (a) or (b):

14 (1) the exemptions allowed under Section 204 for the  
15 period prior to July 1, 2011, shall be equal to the  
total

16 exemptions that would be allowed for the taxable year  
17 under  
18 Section 204, multiplied by the number of months in the  
19 portion of the taxable year ending June 30, 2011 and  
20 divided by 12; and  
21 (2) the exemptions allowed under Section 204 for the  
22 period after June 30, 2011, through the end of the  
23 taxable  
24 year shall equal to the total exemptions allowed for the  
25 taxable year, multiplied by the number of months in the  
taxable year for the period beginning on July 1, 2011  
and  
divided by 12.

09600SB2252ham003

- 40 -

LRB096 10038 RCE 27718 a

1 (35 ILCS 5/203) (from Ch. 120, par. 2-203)  
2 Sec. 203. Base income defined.  
3 (a) Individuals.  
4 (1) In general. In the case of an individual, base  
5 income means an amount equal to the taxpayer's adjusted  
6 gross income for the taxable year as modified by  
paragraph  
7 (2).  
8 (2) Modifications. The adjusted gross income  
referred  
9 to in paragraph (1) shall be modified by adding thereto  
the  
10 sum of the following amounts:

- 11                   (A) An amount equal to all amounts paid or  
accrued  
12                   to the taxpayer as interest or dividends during the  
13                   taxable year to the extent excluded from gross  
income  
14                   in the computation of adjusted gross income, except  
15                   stock dividends of qualified public utilities  
16                   described in Section 305(e) of the Internal Revenue  
17                   Code;
- 18                   (B) An amount equal to the amount of tax imposed  
by  
19                   this Act to the extent deducted from gross income in  
20                   the computation of adjusted gross income for the  
21                   taxable year;
- 22                   (C) An amount equal to the amount received  
during  
23                   the taxable year as a recovery or refund of real  
24                   property taxes paid with respect to the taxpayer's  
25                   principal residence under the Revenue Act of 1939  
and  
26                   for which a deduction was previously taken under

09600SB2252ham003

- 41 -

LRB096 10038 RCE 27718 a

- 1                   subparagraph (L) of this paragraph (2) prior to July  
1,  
2                   1991, the retrospective application date of Article  
4  
3                   of Public Act 87-17. In the case of multi-unit or

4 multi-use structures and farm dwellings, the taxes  
5 on  
6 the taxpayer's principal residence shall be that  
7 portion of the total taxes for the entire property  
8 which is attributable to such principal residence;

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

14 (D-5) An amount, to the extent not included in  
15 adjusted gross income, equal to the amount of money  
16 withdrawn by the taxpayer in the taxable year from a  
17 medical care savings account and the interest earned  
18 on  
19 the account in the taxable year of a withdrawal  
20 pursuant to subsection (b) of Section 20 of the  
21 Medical  
22 Care Savings Account Act or subsection (b) of  
23 Section  
24 20 of the Medical Care Savings Account Act of 2000;

25 (D-10) For taxable years ending after December  
26 31,  
1997, an amount equal to any eligible remediation  
costs  
that the individual deducted in computing adjusted  
gross income and for which the individual claims a  
credit under subsection (1) of Section 201;

(D-15) For taxable years 2001 and thereafter, an  
amount equal to the bonus depreciation deduction  
taken

09600SB2252ham003

- 42 -

LRB096 10038 RCE 27718 a

1 on the taxpayer's federal income tax return for the  
2 taxable year under subsection (k) of Section 168 of  
3 the  
4 Internal Revenue Code;

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

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

24 The taxpayer is required to make the addition  
25 modification under this subparagraph only once with  
26 respect to any one piece of property;

27 (D-17) An amount equal to the amount otherwise

22 allowed as a deduction in computing base income for  
23 interest paid, accrued, or incurred, directly or  
24 indirectly, (i) for taxable years ending on or after  
25 December 31, 2004, to a foreign person who would be  
a  
26 member of the same unitary business group but for  
the

09600SB2252ham003

- 43 -

LRB096 10038 RCE 27718 a

1 fact that foreign person's business activity outside  
2 the United States is 80% or more of the foreign  
3 person's total business activity and (ii) for  
taxable  
4 years ending on or after December 31, 2008, to a  
person  
5 who would be a member of the same unitary business  
6 group but for the fact that the person is prohibited  
7 under Section 1501(a)(27) from being included in the  
8 unitary business group because he or she is  
ordinarily  
9 required to apportion business income under  
different  
10 subsections of Section 304. The addition  
modification  
11 required by this subparagraph shall be reduced to  
the  
12 extent that dividends were included in base income  
of  
13 the unitary group for the same taxable year and

14 received by the taxpayer or by a member of the  
15 taxpayer's unitary business group (including amounts  
16 included in gross income under Sections 951 through  
964  
17 of the Internal Revenue Code and amounts included in  
18 gross income under Section 78 of the Internal  
Revenue  
19 Code) with respect to the stock of the same person  
to  
20 whom the interest was paid, accrued, or incurred.

21 This paragraph shall not apply to the following:

22 (i) an item of interest paid, accrued, or  
23 incurred, directly or indirectly, to a person

who

24 is subject in a foreign country or state, other  
25 than a state which requires mandatory unitary  
26 reporting, to a tax on or measured by net income

09600SB2252ham003

- 44 -

LRB096 10038 RCE 27718 a

1 with respect to such interest; or

2 (ii) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a person if  
4 the taxpayer can establish, based on a  
5 preponderance of the evidence, both of the  
6 following:

7 (a) the person, during the same taxable  
8 year, paid, accrued, or incurred, the  
interest

9 to a person that is not a related member,  
and

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

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

23 (iv) an item of interest paid, accrued, or  
24 incurred, directly or indirectly, to a person if  
25 the taxpayer establishes by clear and convincing  
26 evidence that the adjustments are unreasonable;  
or

09600SB2252ham003

- 45 -

LRB096 10038 RCE 27718 a

1 if the taxpayer and the Director agree in  
writing

2 to the application or use of an alternative  
method

3 of apportionment under Section 304(f).

4 Nothing in this subsection shall preclude  
the

5 Director from making any other adjustment

6 otherwise allowed under Section 404 of this Act  
for

7 any tax year beginning after the effective date  
of

8 this amendment provided such adjustment is made

9 pursuant to regulation adopted by the Department

10 and such regulations provide methods and  
standards

11 by which the Department will utilize its  
authority

12 under Section 404 of this Act;

13 (D-18) An amount equal to the amount of  
intangible

14 expenses and costs otherwise allowed as a deduction  
in

15 computing base income, and that were paid, accrued,  
or

16 incurred, directly or indirectly, (i) for taxable

17 years ending on or after December 31, 2004, to a

18 foreign person who would be a member of the same

19 unitary business group but for the fact that the

20 foreign person's business activity outside the

United

21 States is 80% or more of that person's total

business

22 activity and (ii) for taxable years ending on or

after

23 December 31, 2008, to a person who would be a member  
of  
24 the same unitary business group but for the fact  
that  
25 the person is prohibited under Section 1501(a)(27)  
26 from being included in the unitary business group

09600SB2252ham003

- 46 -

LRB096 10038 RCE 27718 a

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

15 apply to the extent that the same dividends caused a  
16 reduction to the addition modification required  
under  
17 Section 203(a)(2)(D-17) of this Act. As used in this  
18 subparagraph, the term "intangible expenses and  
costs"  
19 includes (1) expenses, losses, and costs for, or  
20 related to, the direct or indirect acquisition, use,  
21 maintenance or management, ownership, sale,  
exchange,  
22 or any other disposition of intangible property; (2)  
23 losses incurred, directly or indirectly, from  
24 factoring transactions or discounting transactions;  
25 (3) royalty, patent, technical, and copyright fees;  
26 (4) licensing fees; and (5) other similar expenses  
and

09600SB2252ham003

- 47 -

LRB096 10038 RCE 27718 a

1 costs. For purposes of this subparagraph,  
"intangible  
2 property" includes patents, patent applications,  
trade  
3 names, trademarks, service marks, copyrights, mask  
4 works, trade secrets, and similar types of  
intangible  
5 assets.  
6 This paragraph shall not apply to the following:  
7 (i) any item of intangible expenses or costs  
8 paid, accrued, or incurred, directly or

9 indirectly, from a transaction with a person who  
10 is  
11 subject in a foreign country or state, other  
12 than a  
13 state which requires mandatory unitary  
14 reporting,  
15 to a tax on or measured by net income with  
16 respect

17 to such item; or

18 (ii) any item of intangible expense or cost  
19 paid, accrued, or incurred, directly or  
20 indirectly, if the taxpayer can establish, based  
21 on a preponderance of the evidence, both of the  
22 following:

23 (a) the person during the same taxable  
24 year paid, accrued, or incurred, the  
25 intangible expense or cost to a person that  
26 is  
not a related member, and

(b) the transaction giving rise to the  
intangible expense or cost between the  
taxpayer and the person did not have as a  
principal purpose the avoidance of Illinois

09600SB2252ham003

- 48 -

LRB096 10038 RCE 27718 a

1 income tax, and is paid pursuant to a  
contract

2 or agreement that reflects arm's-length  
terms;

3                   or  
4                   (iii) any item of intangible expense or cost  
5                   paid, accrued, or incurred, directly or  
6                   indirectly, from a transaction with a person if  
7                   the taxpayer establishes by clear and convincing  
8                   evidence, that the adjustments are unreasonable;  
9                   or if the taxpayer and the Director agree in  
10                   writing to the application or use of an  
11                   alternative  
12                   method of apportionment under Section 304(f);

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

26                   (D-19) For taxable years ending on or after  
27                   December 31, 2008, an amount equal to the amount of  
28                   insurance premium expenses and costs otherwise  
29                   allowed  
30                   as a deduction in computing base income, and that  
31                   were

25           paid, accrued, or incurred, directly or indirectly,  
to  
26           a person who would be a member of the same unitary

09600SB2252ham003

- 49 -

LRB096 10038 RCE 27718 a

1           business group but for the fact that the person is  
2           prohibited under Section 1501(a)(27) from being  
3           included in the unitary business group because he or  
4           she is ordinarily required to apportion business  
5           income under different subsections of Section 304.

The

6           addition modification required by this subparagraph  
7           shall be reduced to the extent that dividends were  
8           included in base income of the unitary group for the  
9           same taxable year and received by the taxpayer or by

a

10          member of the taxpayer's unitary business group  
11          (including amounts included in gross income under  
12          Sections 951 through 964 of the Internal Revenue

Code

13          and amounts included in gross income under Section

78

14          of the Internal Revenue Code) with respect to the

stock

15          of the same person to whom the premiums and costs

were

16          directly or indirectly paid, incurred, or accrued.

The

17          preceding sentence does not apply to the extent that

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

21 (D-20) For taxable years beginning on or after  
22 January 1, 2002 and ending on or before December 31,  
23 2006, in the case of a distribution from a qualified  
24 tuition program under Section 529 of the Internal  
25 Revenue Code, other than (i) a distribution from a  
26 College Savings Pool created under Section 16.5 of  
the

09600SB2252ham003

- 50 -

LRB096 10038 RCE 27718 a

1 State Treasurer Act or (ii) a distribution from the  
2 Illinois Prepaid Tuition Trust Fund, an amount equal  
to  
3 the amount excluded from gross income under Section  
4 529(c)(3)(B). For taxable years beginning on or  
after  
5 January 1, 2007, in the case of a distribution from  
a  
6 qualified tuition program under Section 529 of the  
7 Internal Revenue Code, other than (i) a distribution  
8 from a College Savings Pool created under Section  
16.5  
9 of the State Treasurer Act, (ii) a distribution from  
10 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
11 distribution from a qualified tuition program under

12 Section 529 of the Internal Revenue Code that (I)  
13 adopts and determines that its offering materials  
14 comply with the College Savings Plans Network's  
15 disclosure principles and (II) has made reasonable  
16 efforts to inform in-state residents of the  
existence  
17 of in-state qualified tuition programs by informing  
18 Illinois residents directly and, where applicable,  
to  
19 inform financial intermediaries distributing the  
20 program to inform in-state residents of the  
existence  
21 of in-state qualified tuition programs at least  
22 annually, an amount equal to the amount excluded  
from  
23 gross income under Section 529(c)(3)(B);

24 For the purposes of this subparagraph (D-20), a  
25 qualified tuition program has made reasonable  
efforts  
26 if it makes disclosures (which may use the term

09600SB2252ham003

- 51 -

LRB096 10038 RCE 27718 a

1 "in-state program" or "in-state plan" and need not  
2 specifically refer to Illinois or its qualified  
3 programs by name) (i) directly to prospective  
4 participants in its offering materials or makes a  
5 public disclosure, such as a website posting; and  
(ii)  
6 where applicable, to intermediaries selling the

7 out-of-state program in the same manner that the  
8 out-of-state program distributes its offering  
9 materials;

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

17 (D-22) Income from discharge of indebtedness in  
18 connection with a reacquisition of an applicable  
debt  
19 instrument during the tax year, for which an  
election  
20 to defer the income was made under Section 108(i)(1)  
of  
21 the Internal Revenue Code; and

22 (D-23) Any deduction allowed for the tax year  
for a  
23 net operating loss carried back more than 2 years  
under  
24 Section 172(b)(1)(H) of the Internal Revenue Code;  
25 and by deducting from the total so obtained the sum of  
the  
26 following amounts:

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

21           resident by reason of being a member of any  
component  
22           of the Armed Forces of the United States and in  
respect  
23           of any compensation paid or accrued to a resident  
who  
24           as a governmental employee was a prisoner of war or  
25           missing in action, and in respect of any  
compensation  
26           paid to a resident in 2001 or thereafter by reason  
of

09600SB2252ham003

- 53 -

LRB096 10038 RCE 27718 a

1           being a member of the Illinois National Guard or,  
2           beginning with taxable years ending on or after  
3           December 31, 2007, the National Guard of any other  
4           state. The provisions of this amendatory Act of the  
5           92nd General Assembly are exempt from the provisions  
of  
6           Section 250;  
7           (F) An amount equal to all amounts included in  
such  
8           total pursuant to the provisions of Sections 402(a),  
9           402(c), 403(a), 403(b), 406(a), 407(a), and 408 of  
the  
10           Internal Revenue Code, or included in such total as  
11           distributions under the provisions of any retirement  
12           or disability plan for employees of any governmental  
13           agency or unit, or retirement payments to retired

14 partners, which payments are excluded in computing  
net  
15 earnings from self employment by Section 1402 of the  
16 Internal Revenue Code and regulations adopted  
pursuant  
17 thereto;

18 (G) The valuation limitation amount;

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

22 (I) An amount equal to all amounts included in  
such  
23 total pursuant to the provisions of Section 111 of  
the  
24 Internal Revenue Code as a recovery of items  
previously  
25 deducted from adjusted gross income in the  
computation  
26 of taxable income;

09600SB2252ham003

- 54 -

LRB096 10038 RCE 27718 a

1 (J) An amount equal to those dividends included  
in  
2 such total which were paid by a corporation which  
3 conducts business operations in an Enterprise Zone  
or  
4 zones created under the Illinois Enterprise Zone Act  
or

5 a River Edge Redevelopment Zone or zones created  
under  
6 the River Edge Redevelopment Zone Act, and conducts  
7 substantially all of its operations in an Enterprise  
8 Zone or zones or a River Edge Redevelopment Zone or  
9 zones. This subparagraph (J) is exempt from the  
10 provisions of Section 250;

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

20 (L) For taxable years ending after December 31,  
21 1983, an amount equal to all social security  
benefits  
22 and railroad retirement benefits included in such  
23 total pursuant to Sections 72(r) and 86 of the  
Internal  
24 Revenue Code;

25 (M) With the exception of any amounts subtracted  
26 under subparagraph (N), an amount equal to the sum  
of

09600SB2252ham003

- 55 -

LRB096 10038 RCE 27718 a

1 all amounts disallowed as deductions by (i) Sections  
2 171(a) (2), and 265(2) of the Internal Revenue Code  
of  
3 1954, as now or hereafter amended, and all amounts  
of  
4 expenses allocable to interest and disallowed as  
5 deductions by Section 265(1) of the Internal Revenue  
6 Code of 1954, as now or hereafter amended; and (ii)  
for  
7 taxable years ending on or after August 13, 1999,  
8 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i)  
of  
9 the Internal Revenue Code; the provisions of this  
10 subparagraph are exempt from the provisions of  
Section  
11 250;

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

19           this Act, the amount exempted shall be the interest  
net  
20           of bond premium amortization;

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

24           (P) An amount equal to the amount of the  
deduction  
25           used to compute the federal income tax credit for  
26           restoration of substantial amounts held under claim  
of

09600SB2252ham003

- 56 -

LRB096 10038 RCE 27718 a

1           right for the taxable year pursuant to Section 1341  
of  
2           the Internal Revenue Code of 1986;

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

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

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

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

25                   (U) For one taxable year beginning on or after  
26                   January 1, 1994, an amount equal to the total amount  
of

09600SB2252ham003

- 57 -

LRB096 10038 RCE 27718 a

1                   tax imposed and paid under subsections (a) and (b)  
of

2                   Section 201 of this Act on grant amounts received by

3 the taxpayer under the Nursing Home Grant Assistance  
4 Act during the taxpayer's taxable years 1992 and  
1993;

5 (V) Beginning with tax years ending on or after  
6 December 31, 1995 and ending with tax years ending  
on

7 or before December 31, 2004, an amount equal to the  
8 amount paid by a taxpayer who is a self-employed  
9 taxpayer, a partner of a partnership, or a  
shareholder

10 in a Subchapter S corporation for health insurance  
or

11 long-term care insurance for that taxpayer or that  
12 taxpayer's spouse or dependents, to the extent that  
the

13 amount paid for that health insurance or long-term  
care

14 insurance may be deducted under Section 213 of the  
15 Internal Revenue Code of 1986, has not been deducted  
on

16 the federal income tax return of the taxpayer, and  
does

17 not exceed the taxable income attributable to that  
18 taxpayer's income, self-employment income, or  
19 Subchapter S corporation income; except that no  
20 deduction shall be allowed under this item (V) if

the  
21 taxpayer is eligible to participate in any health  
22 insurance or long-term care insurance plan of an  
23 employer of the taxpayer or the taxpayer's spouse.

The  
24 amount of the health insurance and long-term care

25 insurance subtracted under this item (V) shall be  
26 determined by multiplying total health insurance and

09600SB2252ham003

- 58 -

LRB096 10038 RCE 27718 a

1 long-term care insurance premiums paid by the  
taxpayer

2 times a number that represents the fractional  
3 percentage of eligible medical expenses under  
Section

4 213 of the Internal Revenue Code of 1986 not  
actually

5 deducted on the taxpayer's federal income tax  
return;

6 (W) For taxable years beginning on or after  
January

7 1, 1998, all amounts included in the taxpayer's  
federal

8 gross income in the taxable year from amounts  
converted

9 from a regular IRA to a Roth IRA. This paragraph is  
10 exempt from the provisions of Section 250;

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

12 equal to the amount of any (i) distributions, to the  
13 extent includible in gross income for federal income  
14 tax purposes, made to the taxpayer because of his or  
15 her status as a victim of persecution for racial or  
16 religious reasons by Nazi Germany or any other Axis  
17 regime or as an heir of the victim and (ii) items of

18 income, to the extent includible in gross income for  
19 federal income tax purposes, attributable to,  
derived  
20 from or in any way related to assets stolen from,  
21 hidden from, or otherwise lost to a victim of  
22 persecution for racial or religious reasons by Nazi  
23 Germany or any other Axis regime immediately prior  
to,  
24 during, and immediately after World War II,  
including,  
25 but not limited to, interest on the proceeds  
receivable  
26 as insurance under policies issued to a victim of

09600SB2252ham003

- 59 -

LRB096 10038 RCE 27718 a

1 persecution for racial or religious reasons by Nazi  
2 Germany or any other Axis regime by European  
insurance  
3 companies immediately prior to and during World War  
II;  
4 provided, however, this subtraction from federal  
5 adjusted gross income does not apply to assets  
acquired  
6 with such assets or with the proceeds from the sale  
of  
7 such assets; provided, further, this paragraph shall  
8 only apply to a taxpayer who was the first recipient  
of  
9 such assets after their recovery and who is a victim  
of

10 persecution for racial or religious reasons by Nazi  
11 Germany or any other Axis regime or as an heir of  
the  
12 victim. The amount of and the eligibility for any  
13 public assistance, benefit, or similar entitlement  
is  
14 not affected by the inclusion of items (i) and (ii)  
of  
15 this paragraph in gross income for federal income  
tax  
16 purposes. This paragraph is exempt from the  
provisions  
17 of Section 250;  
18 (Y) For taxable years beginning on or after  
January  
19 1, 2002 and ending on or before December 31, 2004,  
20 moneys contributed in the taxable year to a College  
21 Savings Pool account under Section 16.5 of the State  
22 Treasurer Act, except that amounts excluded from  
gross  
23 income under Section 529(c)(3)(C)(i) of the Internal  
24 Revenue Code shall not be considered moneys  
25 contributed under this subparagraph (Y). For taxable  
26 years beginning on or after January 1, 2005, a  
maximum

09600SB2252ham003

- 60 -

LRB096 10038 RCE 27718 a

1 of \$10,000 contributed in the taxable year to (i) a

2 College Savings Pool account under Section 16.5 of  
the  
3 State Treasurer Act or (ii) the Illinois Prepaid  
4 Tuition Trust Fund, except that amounts excluded  
from  
5 gross income under Section 529(c)(3)(C)(i) of the  
6 Internal Revenue Code shall not be considered moneys  
7 contributed under this subparagraph (Y). This  
8 subparagraph (Y) is exempt from the provisions of  
9 Section 250;

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

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

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

09600SB2252ham003

- 61 -

LRB096 10038 RCE 27718 a

1 (3) for taxable years ending after December  
2 31, 2005:

3 (i) for property on which a bonus  
4 depreciation deduction of 30% of the  
adjusted  
5 basis was taken, "x" equals "y" multiplied  
by  
6 30 and then divided by 70 (or "y" multiplied  
by  
7 0.429); and

8 (ii) for property on which a bonus  
9 depreciation deduction of 50% of the  
adjusted  
10 basis was taken, "x" equals "y" multiplied  
by  
11 1.0.

12 The aggregate amount deducted under this  
13 subparagraph in all taxable years for any one piece  
of  
14 property may not exceed the amount of the bonus  
15 depreciation deduction taken on that property on the  
16 taxpayer's federal income tax return under  
subsection

17 (k) of Section 168 of the Internal Revenue Code.

This

18 subparagraph (Z) is exempt from the provisions of

19 Section 250;

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

25 If the taxpayer continues to own property  
through  
26 the last day of the last tax year for which the

09600SB2252ham003

- 62 -

LRB096 10038 RCE 27718 a

1 taxpayer may claim a depreciation deduction for  
2 federal income tax purposes and for which the  
taxpayer  
3 was required in any taxable year to make an addition  
4 modification under subparagraph (D-15), then an  
amount  
5 equal to that addition modification.

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

9 This subparagraph (AA) is exempt from the  
10 provisions of Section 250;

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

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

09600SB2252ham003

- 63 -

LRB096 10038 RCE 27718 a

1 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13),  
or  
2 203(d)(2)(D-8), but not to exceed the amount of that  
3 addition modification. This subparagraph (CC) is  
4 exempt from the provisions of Section 250;  
5 (DD) An amount equal to the interest income  
taken  
6 into account for the taxable year (net of the

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

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

22 under Section 108(i)(1)(A) or (B) of the Internal  
23 Revenue Code. This subparagraph (FF) is exempt from  
the  
24 provisions of Section 250; and  
25 (GG) An amount equal to the additional net  
26 operating loss carryover deduction that would be

09600SB2252ham003

- 65 -

LRB096 10038 RCE 27718 a

1 allowed in computing adjusted gross income for the  
2 taxable year if the taxpayer had not made an  
election  
3 to carry back the loss more than 2 years under  
Section  
4 172(b)(1)(H) of the Internal Revenue Code. This  
5 subparagraph (GG) is exempt from the provisions of  
6 Section 250.

7 (b) Corporations.

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

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

14 (A) An amount equal to all amounts paid or  
accrued  
15 to the taxpayer as interest and all distributions

16 received from regulated investment companies during  
17 the taxable year to the extent excluded from gross  
18 income in the computation of taxable income;

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

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

09600SB2252ham003

- 66 -

LRB096 10038 RCE 27718 a

1 accordance with Section 852(b)(3)(C) of the Internal  
2 Revenue Code and any amount designated under Section  
3 852(b)(3)(D) of the Internal Revenue Code,  
4 attributable to the taxable year (this amendatory  
Act

5 of 1995 (Public Act 89-89) is declarative of  
existing

6 law and is not a new enactment);

7 (D) The amount of any net operating loss  
deduction

8 taken in arriving at taxable income, other than a  
net

9 operating loss carried forward from a taxable year

10 ending prior to December 31, 1986;

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

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

09600SB2252ham003

- 67 -

LRB096 10038 RCE 27718 a

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

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

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

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

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

25 (E-11) If the taxpayer sells, transfers,  
abandons,  
26 or otherwise disposes of property for which the

09600SB2252ham003

- 68 -

LRB096 10038 RCE 27718 a

1 taxpayer was required in any taxable year to make an  
2 addition modification under subparagraph (E-10),  
then

3 an amount equal to the aggregate amount of the  
4 deductions taken in all taxable years under  
5 subparagraph (T) with respect to that property.

6 If the taxpayer continues to own property  
through  
7 the last day of the last tax year for which the  
8 taxpayer may claim a depreciation deduction for  
9 federal income tax purposes and for which the  
taxpayer

10 was allowed in any taxable year to make a  
subtraction

11 modification under subparagraph (T), then an amount  
12 equal to that subtraction modification.

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

16 (E-12) An amount equal to the amount otherwise  
17 allowed as a deduction in computing base income for  
18 interest paid, accrued, or incurred, directly or  
19 indirectly, (i) for taxable years ending on or after

20 December 31, 2004, to a foreign person who would be  
a  
21 member of the same unitary business group but for  
the  
22 fact the foreign person's business activity outside  
23 the United States is 80% or more of the foreign  
24 person's total business activity and (ii) for  
taxable  
25 years ending on or after December 31, 2008, to a  
person  
26 who would be a member of the same unitary business

09600SB2252ham003

- 69 -

LRB096 10038 RCE 27718 a

1 group but for the fact that the person is prohibited  
2 under Section 1501(a)(27) from being included in the  
3 unitary business group because he or she is  
ordinarily  
4 required to apportion business income under  
different  
5 subsections of Section 304. The addition  
modification  
6 required by this subparagraph shall be reduced to  
the  
7 extent that dividends were included in base income  
of  
8 the unitary group for the same taxable year and  
9 received by the taxpayer or by a member of the  
10 taxpayer's unitary business group (including amounts  
11 included in gross income pursuant to Sections 951

12 through 964 of the Internal Revenue Code and amounts  
 13 included in gross income under Section 78 of the  
 14 Internal Revenue Code) with respect to the stock of  
 the  
 15 same person to whom the interest was paid, accrued,  
 or  
 16 incurred.

17 This paragraph shall not apply to the following:

18 (i) an item of interest paid, accrued, or  
 19 incurred, directly or indirectly, to a person

who

20 is subject in a foreign country or state, other  
 21 than a state which requires mandatory unitary  
 22 reporting, to a tax on or measured by net income  
 23 with respect to such interest; or

24 (ii) an item of interest paid, accrued, or  
 25 incurred, directly or indirectly, to a person if  
 26 the taxpayer can establish, based on a

09600SB2252ham003

- 70 -

LRB096 10038 RCE 27718 a

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

3 (a) the person, during the same taxable  
 4 year, paid, accrued, or incurred, the

interest

5 to a person that is not a related member,  
 and

6 (b) the transaction giving rise to the

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

13 (iii) the taxpayer can establish, based on  
14 clear and convincing evidence, that the interest  
15 paid, accrued, or incurred relates to a contract

or

16 agreement entered into at arm's-length rates and  
17 terms and the principal purpose for the payment

is

18 not federal or Illinois tax avoidance; or

19 (iv) an item of interest paid, accrued, or  
20 incurred, directly or indirectly, to a person if  
21 the taxpayer establishes by clear and convincing  
22 evidence that the adjustments are unreasonable;

or

23 if the taxpayer and the Director agree in

writing

24 to the application or use of an alternative

method

25 of apportionment under Section 304(f).

26 Nothing in this subsection shall preclude

the

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

13 (E-13) An amount equal to the amount of  
14 intangible  
15 expenses and costs otherwise allowed as a deduction  
16 in  
17 computing base income, and that were paid, accrued,  
18 or  
19 incurred, directly or indirectly, (i) for taxable  
20 years ending on or after December 31, 2004, to a  
21 foreign person who would be a member of the same  
22 unitary business group but for the fact that the  
23 foreign person's business activity outside the  
24 United  
25 States is 80% or more of that person's total  
26 business  
27 activity and (ii) for taxable years ending on or  
28 after  
29 December 31, 2008, to a person who would be a member  
30 of

20 the same unitary business group but for the fact  
that  
21 the person is prohibited under Section 1501(a)(27)  
22 from being included in the unitary business group  
23 because he or she is ordinarily required to  
apportion  
24 business income under different subsections of  
Section  
25 304. The addition modification required by this  
26 subparagraph shall be reduced to the extent that

09600SB2252ham003

- 72 -

LRB096 10038 RCE 27718 a

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

15 "intangible expenses and costs" includes (1)  
expenses,  
16 losses, and costs for, or related to, the direct or  
17 indirect acquisition, use, maintenance or  
management,  
18 ownership, sale, exchange, or any other disposition  
of  
19 intangible property; (2) losses incurred, directly  
or  
20 indirectly, from factoring transactions or  
discounting  
21 transactions; (3) royalty, patent, technical, and  
22 copyright fees; (4) licensing fees; and (5) other  
23 similar expenses and costs. For purposes of this  
24 subparagraph, "intangible property" includes  
patents,  
25 patent applications, trade names, trademarks,  
service  
26 marks, copyrights, mask works, trade secrets, and

09600SB2252ham003

- 73 -

LRB096 10038 RCE 27718 a

1 similar types of intangible assets.

2 This paragraph shall not apply to the following:

3 (i) any item of intangible expenses or costs  
4 paid, accrued, or incurred, directly or  
5 indirectly, from a transaction with a person who  
is

6 subject in a foreign country or state, other  
than a

7 state which requires mandatory unitary  
reporting,  
8 to a tax on or measured by net income with  
respect

9 to such item; or

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

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

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

25 or

26 (iii) any item of intangible expense or cost

1 paid, accrued, or incurred, directly or

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

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

17 (E-14) For taxable years ending on or after  
18 December 31, 2008, an amount equal to the amount of  
19 insurance premium expenses and costs otherwise  
allowed  
20 as a deduction in computing base income, and that  
were  
21 paid, accrued, or incurred, directly or indirectly,  
to  
22 a person who would be a member of the same unitary  
23 business group but for the fact that the person is

24 prohibited under Section 1501(a)(27) from being  
25 included in the unitary business group because he or  
26 she is ordinarily required to apportion business

09600SB2252ham003

- 75 -

LRB096 10038 RCE 27718 a

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

16 Section 203(b)(2)(E-13) of this Act;  
17 (E-15) For taxable years beginning after  
December  
18 31, 2008, any deduction for dividends paid by a  
captive  
19 real estate investment trust that is allowed to a  
real  
20 estate investment trust under Section 857(b)(2)(B)  
of  
21 the Internal Revenue Code for dividends paid; and  
22 (E-16) Income from discharge of indebtedness in  
23 connection with a reacquisition of an applicable  
debt  
24 instrument during the tax year, for which an  
election  
25 to defer the income was made under Section 108(i)(1)  
of  
26 the Internal Revenue Code;

09600SB2252ham003

- 76 -

LRB096 10038 RCE 27718 a

1 and by deducting from the total so obtained the sum of  
the  
2 following amounts:  
3 (F) An amount equal to the amount of any tax  
4 imposed by this Act which was refunded to the  
taxpayer  
5 and included in such total for the taxable year;  
6 (G) An amount equal to any amount included in  
such  
7 total under Section 78 of the Internal Revenue Code;

8 (H) In the case of a regulated investment  
company,

9 an amount equal to the amount of exempt interest  
10 dividends as defined in subsection (b) (5) of  
Section

11 852 of the Internal Revenue Code, paid to  
shareholders

12 for the taxable year;

13 (I) With the exception of any amounts subtracted  
14 under subparagraph (J), an amount equal to the sum  
of

15 all amounts disallowed as deductions by (i) Sections  
16 171(a) (2), and 265(a)(2) and amounts disallowed as  
17 interest expense by Section 291(a)(3) of the  
Internal

18 Revenue Code, as now or hereafter amended, and all  
19 amounts of expenses allocable to interest and  
20 disallowed as deductions by Section 265(a)(1) of the  
21 Internal Revenue Code, as now or hereafter amended;

and

22 (ii) for taxable years ending on or after August 13,  
23 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
24 832(b)(5)(B)(i) of the Internal Revenue Code; the  
25 provisions of this subparagraph are exempt from the  
26 provisions of Section 250;

1 (J) An amount equal to all amounts included in  
such

2 total which are exempt from taxation by this State  
3 either by reason of its statutes or Constitution or  
4 by  
5 reason of the Constitution, treaties or statutes of  
6 the  
7 United States; provided that, in the case of any  
8 statute of this State that exempts income derived  
9 from  
10 bonds or other obligations from the tax imposed  
11 under  
12 this Act, the amount exempted shall be the interest  
13 net  
14 of bond premium amortization;

15 (K) An amount equal to those dividends included  
16 in  
17 such total which were paid by a corporation which  
18 conducts business operations in an Enterprise Zone  
19 or  
20 zones created under the Illinois Enterprise Zone Act  
21 or  
22 a River Edge Redevelopment Zone or zones created  
23 under  
24 the River Edge Redevelopment Zone Act and conducts  
25 substantially all of its operations in an Enterprise  
26 Zone or zones or a River Edge Redevelopment Zone or  
27 zones. This subparagraph (K) is exempt from the  
28 provisions of Section 250;

29 (L) An amount equal to those dividends included  
30 in  
31 such total that were paid by a corporation that  
32 conducts business operations in a federally  
33 designated

23 Foreign Trade Zone or Sub-Zone and that is  
designated a  
24 High Impact Business located in Illinois; provided  
25 that dividends eligible for the deduction provided  
in  
26 subparagraph (K) of paragraph 2 of this subsection

09600SB2252ham003

- 78 -

LRB096 10038 RCE 27718 a

1 shall not be eligible for the deduction provided  
under

2 this subparagraph (L);

3 (M) For any taxpayer that is a financial  
4 organization within the meaning of Section 304(c) of  
5 this Act, an amount included in such total as  
interest

6 income from a loan or loans made by such taxpayer to  
a

7 borrower, to the extent that such a loan is secured  
by

8 property which is eligible for the Enterprise Zone  
9 Investment Credit or the River Edge Redevelopment  
Zone

10 Investment Credit. To determine the portion of a  
loan

11 or loans that is secured by property eligible for a  
12 Section 201(f) investment credit to the borrower,  
the

13 entire principal amount of the loan or loans between  
14 the taxpayer and the borrower should be divided into

15 the basis of the Section 201(f) investment credit  
16 property which secures the loan or loans, using for  
17 this purpose the original basis of such property on  
the  
18 date that it was placed in service in the Enterprise  
19 Zone or the River Edge Redevelopment Zone. The  
20 subtraction modification available to taxpayer in  
any  
21 year under this subsection shall be that portion of  
the  
22 total interest paid by the borrower with respect to  
23 such loan attributable to the eligible property as  
24 calculated under the previous sentence. This  
25 subparagraph (M) is exempt from the provisions of  
26 Section 250;

09600SB2252ham003

- 79 -

LRB096 10038 RCE 27718 a

1 (M-1) For any taxpayer that is a financial  
2 organization within the meaning of Section 304(c) of  
3 this Act, an amount included in such total as  
interest  
4 income from a loan or loans made by such taxpayer to  
a  
5 borrower, to the extent that such a loan is secured  
by  
6 property which is eligible for the High Impact  
Business  
7 Investment Credit. To determine the portion of a  
loan

8 or loans that is secured by property eligible for a  
9 Section 201(h) investment credit to the borrower,  
the  
10 entire principal amount of the loan or loans between  
11 the taxpayer and the borrower should be divided into  
12 the basis of the Section 201(h) investment credit  
13 property which secures the loan or loans, using for  
14 this purpose the original basis of such property on  
the  
15 date that it was placed in service in a federally  
16 designated Foreign Trade Zone or Sub-Zone located in  
17 Illinois. No taxpayer that is eligible for the  
18 deduction provided in subparagraph (M) of paragraph  
19 (2) of this subsection shall be eligible for the  
20 deduction provided under this subparagraph (M-1).

The  
21 subtraction modification available to taxpayers in  
any  
22 year under this subsection shall be that portion of  
the  
23 total interest paid by the borrower with respect to  
24 such loan attributable to the eligible property as  
25 calculated under the previous sentence;

26 (N) Two times any contribution made during the

09600SB2252ham003

- 80 -

LRB096 10038 RCE 27718 a

1 taxable year to a designated zone organization to  
the  
2 extent that the contribution (i) qualifies as a

3 charitable contribution under subsection (c) of  
4 Section 170 of the Internal Revenue Code and (ii)  
must,  
5 by its terms, be used for a project approved by the  
6 Department of Commerce and Economic Opportunity  
under  
7 Section 11 of the Illinois Enterprise Zone Act or  
under  
8 Section 10-10 of the River Edge Redevelopment Zone  
Act.

9 This subparagraph (N) is exempt from the provisions  
of  
10 Section 250;

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

25           this subsection (b) which is related to such  
dividends,  
26           and including, for taxable years ending on or after

09600SB2252ham003           - 81 -           LRB096 10038 RCE 27718 a

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

17 to such dividends. This subparagraph (O) is exempt  
from

18 the provisions of Section 250 of this Act;

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

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

09600SB2252ham003

- 82 -

LRB096 10038 RCE 27718 a

1 (R) On and after July 20, 1999, in the case of  
an  
2 attorney-in-fact with respect to whom an  
interinsurer  
3 or a reciprocal insurer has made the election under  
4 Section 835 of the Internal Revenue Code, 26 U.S.C.  
5 835, an amount equal to the excess, if any, of the  
6 amounts paid or incurred by that interinsurer or  
7 reciprocal insurer in the taxable year to the  
8 attorney-in-fact over the deduction allowed to that  
9 interinsurer or reciprocal insurer with respect to  
the

10 attorney-in-fact under Section 835(b) of the  
Internal  
11 Revenue Code for the taxable year; the provisions of  
12 this subparagraph are exempt from the provisions of  
13 Section 250;

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

24 (T) For taxable years 2001 and thereafter, for  
the  
25 taxable year in which the bonus depreciation  
deduction  
26 is taken on the taxpayer's federal income tax return

09600SB2252ham003

- 83 -

LRB096 10038 RCE 27718 a

1 under subsection (k) of Section 168 of the Internal  
2 Revenue Code and for each applicable taxable year

3           thereafter, an amount equal to "x", where:

4                   (1) "y" equals the amount of the  
depreciation

5           deduction taken for the taxable year on the  
6           taxpayer's federal income tax return on property  
7           for which the bonus depreciation deduction was  
8           taken in any year under subsection (k) of  
Section

9           168 of the Internal Revenue Code, but not  
including

10           the bonus depreciation deduction;

11                   (2) for taxable years ending on or before  
12           December 31, 2005, "x" equals "y" multiplied by

30

13           and then divided by 70 (or "y" multiplied by  
14           0.429); and

15                   (3) for taxable years ending after December  
16           31, 2005:

17                   (i) for property on which a bonus  
18           depreciation deduction of 30% of the  
adjusted

19           basis was taken, "x" equals "y" multiplied  
by

20           30 and then divided by 70 (or "y" multiplied  
by

21           0.429); and

22                   (ii) for property on which a bonus  
23           depreciation deduction of 50% of the  
adjusted

24           basis was taken, "x" equals "y" multiplied  
by

25           1.0.

The aggregate amount deducted under this

09600SB2252ham003

- 84 -

LRB096 10038 RCE 27718 a

1           subparagraph in all taxable years for any one piece  
of  
2           property may not exceed the amount of the bonus  
3           depreciation deduction taken on that property on the  
4           taxpayer's federal income tax return under  
subsection

5           (k) of Section 168 of the Internal Revenue Code.

This

6           subparagraph (T) is exempt from the provisions of  
7           Section 250;

8           (U) If the taxpayer sells, transfers, abandons,  
or

9           otherwise disposes of property for which the  
taxpayer

10           was required in any taxable year to make an addition  
11           modification under subparagraph (E-10), then an  
amount

12           equal to that addition modification.

13           If the taxpayer continues to own property  
through

14           the last day of the last tax year for which the  
15           taxpayer may claim a depreciation deduction for  
16           federal income tax purposes and for which the  
taxpayer

17           was required in any taxable year to make an addition  
18           modification under subparagraph (E-10), then an  
amount

19 equal to that addition modification.

20 The taxpayer is allowed to take the deduction  
under  
21 this subparagraph only once with respect to any one  
22 piece of property.

23 This subparagraph (U) is exempt from the  
24 provisions of Section 250;

25 (V) The amount of: (i) any interest income (net  
of  
26 the deductions allocable thereto) taken into account

09600SB2252ham003 - 85 - LRB096 10038 RCE 27718 a

1 for the taxable year with respect to a transaction  
with  
2 a taxpayer that is required to make an addition  
3 modification with respect to such transaction under  
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to  
exceed  
6 the amount of such addition modification, (ii) any  
7 income from intangible property (net of the  
deductions  
8 allocable thereto) taken into account for the  
taxable  
9 year with respect to a transaction with a taxpayer  
that  
10 is required to make an addition modification with  
11 respect to such transaction under Section

12           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13),  
or  
13           203(d)(2)(D-8), but not to exceed the amount of such  
14           addition modification, and (iii) any insurance  
premium  
15           income (net of deductions allocable thereto) taken  
16           into account for the taxable year with respect to a  
17           transaction with a taxpayer that is required to make  
an  
18           addition modification with respect to such  
transaction  
19           under Section 203(a)(2)(D-19), Section  
20           203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
21           203(d)(2)(D-9), but not to exceed the amount of that  
22           addition modification. This subparagraph (V) is  
exempt  
23           from the provisions of Section 250;  
24           (W) An amount equal to the interest income taken  
25           into account for the taxable year (net of the  
26           deductions allocable thereto) with respect to

09600SB2252ham003

- 86 -

LRB096 10038 RCE 27718 a

1           transactions with (i) a foreign person who would be  
a  
2           member of the taxpayer's unitary business group but  
for  
3           the fact that the foreign person's business activity  
4           outside the United States is 80% or more of that

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

26 years ending on or after December 31, 2008, to a  
person

09600SB2252ham003

- 87 -

LRB096 10038 RCE 27718 a

1 who would be a member of the same unitary business  
2 group but for the fact that the person is prohibited  
3 under Section 1501(a)(27) from being included in the  
4 unitary business group because he or she is  
ordinarily  
5 required to apportion business income under  
different  
6 subsections of Section 304, but not to exceed the  
7 addition modification required to be made for the  
same  
8 taxable year under Section 203(b)(2)(E-13) for  
9 intangible expenses and costs paid, accrued, or  
10 incurred, directly or indirectly, to the same  
foreign  
11 person. This subparagraph (X) is exempt from the  
12 provisions of Section 250; and -

13 (Y) Income from discharge of indebtedness  
included  
14 in taxable income for the taxable year under Section  
15 108(i)(1)(A) or (B) of the Internal Revenue Code.  
This  
16 subparagraph (Y) is exempt from the provisions of  
17 Section 250.

18 (3) Special rule. For purposes of paragraph (2) (A),

19 "gross income" in the case of a life insurance company,  
for  
20 tax years ending on and after December 31, 1994, shall  
mean  
21 the gross investment income for the taxable year.

22 (c) Trusts and estates.

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

09600SB2252ham003

- 88 -

LRB096 10038 RCE 27718 a

1 (2) Modifications. Subject to the provisions of  
2 paragraph (3), the taxable income referred to in  
paragraph

3 (1) shall be modified by adding thereto the sum of the  
4 following amounts:

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

9 (B) In the case of (i) an estate, \$600; (ii) a  
10 trust which, under its governing instrument, is  
11 required to distribute all of its income currently,  
12 \$300; and (iii) any other trust, \$100, but in each  
such

13 case, only to the extent such amount was deducted in  
14 the computation of taxable income;

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

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

22 (E) For taxable years in which a net operating  
loss  
23 carryback or carryforward from a taxable year ending  
24 prior to December 31, 1986 is an element of taxable  
25 income under paragraph (1) of subsection (e) or  
26 subparagraph (E) of paragraph (2) of subsection (e),

09600SB2252ham003

- 89 -

LRB096 10038 RCE 27718 a

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

6 (i) the addition modification relating to  
the

7 net operating loss carried back or forward to  
8 the  
9 taxable year from any taxable year ending prior  
10 to  
11 December 31, 1986 shall be reduced by the amount  
12 of  
13 addition modification under this subparagraph  
14 (E)  
15 which related to that net operating loss and  
16 which  
17 was taken into account in calculating the base  
18 income of an earlier taxable year, and  
19 (ii) the addition modification relating to  
20 the  
21 net operating loss carried back or forward to  
22 the  
23 taxable year from any taxable year ending prior  
24 to  
25 December 31, 1986 shall not exceed the amount of  
26 such carryback or carryforward;  
operating  
loss carryback or carryforward from more than one  
other  
taxable year ending prior to December 31, 1986, the  
addition modification provided in this subparagraph  
(E) shall be the sum of the amounts computed  
independently under the preceding provisions of this  
subparagraph (E) for each such taxable year;  
(F) For taxable years ending on or after January  
1,

09600SB2252ham003

- 90 -

LRB096 10038 RCE 27718 a

1           1989, an amount equal to the tax deducted pursuant  
to  
2           Section 164 of the Internal Revenue Code if the  
trust  
3           or estate is claiming the same tax for purposes of  
the  
4           Illinois foreign tax credit under Section 601 of  
this  
5           Act;

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

10                   (G-5) For taxable years ending after December  
11           31,  
12           1997, an amount equal to any eligible remediation  
costs  
13           that the trust or estate deducted in computing  
adjusted  
14           gross income and for which the trust or estate  
claims a  
15           credit under subsection (l) of Section 201;

16                   (G-10) For taxable years 2001 and thereafter, an  
17           amount equal to the bonus depreciation deduction  
taken  
on the taxpayer's federal income tax return for the

18 taxable year under subsection (k) of Section 168 of  
the  
19 Internal Revenue Code; and  
20 (G-11) If the taxpayer sells, transfers,  
abandons,  
21 or otherwise disposes of property for which the  
22 taxpayer was required in any taxable year to make an  
23 addition modification under subparagraph (G-10),  
then  
24 an amount equal to the aggregate amount of the  
25 deductions taken in all taxable years under  
26 subparagraph (R) with respect to that property.

09600SB2252ham003

- 91 -

LRB096 10038 RCE 27718 a

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

8 The taxpayer is required to make the addition  
9 modification under this subparagraph only once with  
10 respect to any one piece of property;

11 (G-12) An amount equal to the amount otherwise  
12 allowed as a deduction in computing base income for

13 interest paid, accrued, or incurred, directly or  
14 indirectly, (i) for taxable years ending on or after  
15 December 31, 2004, to a foreign person who would be  
a  
16 member of the same unitary business group but for  
the  
17 fact that the foreign person's business activity  
18 outside the United States is 80% or more of the  
foreign  
19 person's total business activity and (ii) for  
taxable  
20 years ending on or after December 31, 2008, to a  
person  
21 who would be a member of the same unitary business  
22 group but for the fact that the person is prohibited  
23 under Section 1501(a)(27) from being included in the  
24 unitary business group because he or she is  
ordinarily  
25 required to apportion business income under  
different  
26 subsections of Section 304. The addition  
modification

09600SB2252ham003

- 92 -

LRB096 10038 RCE 27718 a

1 required by this subparagraph shall be reduced to  
the  
2 extent that dividends were included in base income  
of  
3 the unitary group for the same taxable year and  
4 received by the taxpayer or by a member of the

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

12 This paragraph shall not apply to the following:

13 (i) an item of interest paid, accrued, or  
14 incurred, directly or indirectly, to a person

who

15 is subject in a foreign country or state, other  
16 than a state which requires mandatory unitary  
17 reporting, to a tax on or measured by net income  
18 with respect to such interest; or

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

24 (a) the person, during the same taxable  
25 year, paid, accrued, or incurred, the

interest

26 to a person that is not a related member,

and

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

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

14 (iv) an item of interest paid, accrued, or  
15 incurred, directly or indirectly, to a person if  
16 the taxpayer establishes by clear and convincing  
17 evidence that the adjustments are unreasonable;

or  
18 if the taxpayer and the Director agree in  
writing  
19 to the application or use of an alternative  
method  
20 of apportionment under Section 304(f).

21 Nothing in this subsection shall preclude  
the  
22 Director from making any other adjustment

23 otherwise allowed under Section 404 of this Act  
for  
24 any tax year beginning after the effective date  
of  
25 this amendment provided such adjustment is made  
26 pursuant to regulation adopted by the Department

09600SB2252ham003

- 94 -

LRB096 10038 RCE 27718 a

1 and such regulations provide methods and  
standards  
2 by which the Department will utilize its  
authority  
3 under Section 404 of this Act;  
4 (G-13) An amount equal to the amount of  
intangible  
5 expenses and costs otherwise allowed as a deduction  
in  
6 computing base income, and that were paid, accrued,  
or  
7 incurred, directly or indirectly, (i) for taxable  
8 years ending on or after December 31, 2004, to a  
9 foreign person who would be a member of the same  
10 unitary business group but for the fact that the  
11 foreign person's business activity outside the  
United  
12 States is 80% or more of that person's total  
business  
13 activity and (ii) for taxable years ending on or  
after

14 December 31, 2008, to a person who would be a member  
of  
15 the same unitary business group but for the fact  
that  
16 the person is prohibited under Section 1501(a)(27)  
17 from being included in the unitary business group  
18 because he or she is ordinarily required to  
apportion  
19 business income under different subsections of  
Section  
20 304. The addition modification required by this  
21 subparagraph shall be reduced to the extent that  
22 dividends were included in base income of the  
unitary  
23 group for the same taxable year and received by the  
24 taxpayer or by a member of the taxpayer's unitary  
25 business group (including amounts included in gross  
26 income pursuant to Sections 951 through 964 of the

09600SB2252ham003

- 95 -

LRB096 10038 RCE 27718 a

1 Internal Revenue Code and amounts included in gross  
2 income under Section 78 of the Internal Revenue  
Code)  
3 with respect to the stock of the same person to whom  
4 the intangible expenses and costs were directly or  
5 indirectly paid, incurred, or accrued. The preceding  
6 sentence shall not apply to the extent that the same  
7 dividends caused a reduction to the addition

8 modification required under Section 203(c)(2)(G-12)  
9 of  
10 this Act. As used in this subparagraph, the term  
11 "intangible expenses and costs" includes: (1)  
12 expenses, losses, and costs for or related to the  
13 direct or indirect acquisition, use, maintenance or  
14 management, ownership, sale, exchange, or any other  
15 disposition of intangible property; (2) losses  
16 incurred, directly or indirectly, from factoring  
royalty,  
17 patent, technical, and copyright fees; (4) licensing  
18 fees; and (5) other similar expenses and costs. For  
19 purposes of this subparagraph, "intangible property"  
20 includes patents, patent applications, trade names,  
21 trademarks, service marks, copyrights, mask works,  
22 trade secrets, and similar types of intangible  
assets.

23 This paragraph shall not apply to the following:  
24 (i) any item of intangible expenses or costs  
25 paid, accrued, or incurred, directly or  
26 indirectly, from a transaction with a person who  
is

09600SB2252ham003

- 96 -

LRB096 10038 RCE 27718 a

1 subject in a foreign country or state, other  
2 than a  
3 state which requires mandatory unitary  
reporting,

3 to a tax on or measured by net income with  
respect

4 to such item; or

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

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

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

20 or

21 (iii) any item of intangible expense or cost  
22 paid, accrued, or incurred, directly or  
23 indirectly, from a transaction with a person if  
the  
24 taxpayer establishes by clear and convincing  
25 evidence, that the adjustments are unreasonable;  
26 or if the taxpayer and the Director agree in

1 writing to the application or use of an  
alternative  
2 method of apportionment under Section 304(f);  
3 Nothing in this subsection shall preclude  
the  
4 Director from making any other adjustment  
5 otherwise allowed under Section 404 of this Act  
for  
6 any tax year beginning after the effective date  
of  
7 this amendment provided such adjustment is made  
8 pursuant to regulation adopted by the Department  
9 and such regulations provide methods and  
standards  
10 by which the Department will utilize its  
authority  
11 under Section 404 of this Act;  
12 (G-14) For taxable years ending on or after  
13 December 31, 2008, an amount equal to the amount of  
14 insurance premium expenses and costs otherwise  
allowed  
15 as a deduction in computing base income, and that  
were  
16 paid, accrued, or incurred, directly or indirectly,  
to  
17 a person who would be a member of the same unitary  
18 business group but for the fact that the person is  
19 prohibited under Section 1501(a)(27) from being  
20 included in the unitary business group because he or  
21 she is ordinarily required to apportion business

22 income under different subsections of Section 304.  
The  
23 addition modification required by this subparagraph  
24 shall be reduced to the extent that dividends were  
25 included in base income of the unitary group for the  
26 same taxable year and received by the taxpayer or by  
a

09600SB2252ham003 - 98 - LRB096 10038 RCE 27718 a

1 member of the taxpayer's unitary business group  
2 (including amounts included in gross income under  
3 Sections 951 through 964 of the Internal Revenue  
Code  
4 and amounts included in gross income under Section  
78  
5 of the Internal Revenue Code) with respect to the  
stock  
6 of the same person to whom the premiums and costs  
were  
7 directly or indirectly paid, incurred, or accrued.  
The  
8 preceding sentence does not apply to the extent that  
9 the same dividends caused a reduction to the  
addition  
10 modification required under Section 203(c)(2)(G-12)  
or  
11 Section 203(c)(2)(G-13) of this Act; and -  
12 (G-15) Income from discharge of indebtedness in  
13 connection with a reacquisition of an applicable  
debt

14           instrument during the tax year, for which an  
15           election  
16           to defer the income was made under Section 108(i)(1)  
17           of  
18           the Internal Revenue Code;  
19           and by deducting from the total so obtained the sum of  
20           the  
21           following amounts:  
22                   (H) An amount equal to all amounts included in  
23           such  
24           total pursuant to the provisions of Sections 402(a),  
25           402(c), 403(a), 403(b), 406(a), 407(a) and 408 of  
26           the  
          Internal Revenue Code or included in such total as  
          distributions under the provisions of any retirement  
          or disability plan for employees of any governmental  
          agency or unit, or retirement payments to retired  
          partners, which payments are excluded in computing  
          net

09600SB2252ham003

- 99 -

LRB096 10038 RCE 27718 a

1           earnings from self employment by Section 1402 of the  
2           Internal Revenue Code and regulations adopted  
3           pursuant  
4           thereto;  
5                   (I) The valuation limitation amount;  
6                   (J) An amount equal to the amount of any tax  
          imposed by this Act which was refunded to the  
          taxpayer

7 and included in such total for the taxable year;

8 (K) An amount equal to all amounts included in  
9 taxable income as modified by subparagraphs (A),  
10 (B),

11 (C), (D), (E), (F) and (G) which are exempt from  
12 taxation by this State either by reason of its  
13 statutes

14 or Constitution or by reason of the Constitution,  
15 treaties or statutes of the United States; provided  
16 that, in the case of any statute of this State that  
17 exempts income derived from bonds or other  
18 obligations

19 from the tax imposed under this Act, the amount  
20 exempted shall be the interest net of bond premium  
21 amortization;

22 (L) With the exception of any amounts subtracted  
23 under subparagraph (K), an amount equal to the sum  
24 of

25 all amounts disallowed as deductions by (i) Sections  
26 171(a) (2) and 265(a)(2) of the Internal Revenue  
Code,

27 as now or hereafter amended, and all amounts of  
28 expenses allocable to interest and disallowed as  
29 deductions by Section 265(1) of the Internal Revenue  
30 Code of 1954, as now or hereafter amended; and (ii)  
31 for

1 taxable years ending on or after August 13, 1999,

2 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i)  
of  
3 the Internal Revenue Code; the provisions of this  
4 subparagraph are exempt from the provisions of  
Section  
5 250;

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

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

19 (O) An amount equal to those dividends included  
in  
20 such total that were paid by a corporation that  
21 conducts business operations in a federally  
designated  
22 Foreign Trade Zone or Sub-Zone and that is  
designated a  
23 High Impact Business located in Illinois; provided

24           that dividends eligible for the deduction provided  
in  
25           subparagraph (M) of paragraph (2) of this subsection  
26           shall not be eligible for the deduction provided  
under

09600SB2252ham003

- 101 -

LRB096 10038 RCE 27718 a

1           this subparagraph (O);

2           (P) An amount equal to the amount of the  
deduction

3           used to compute the federal income tax credit for  
4           restoration of substantial amounts held under claim  
of

5           right for the taxable year pursuant to Section 1341  
of

6           the Internal Revenue Code of 1986;

7           (Q) For taxable year 1999 and thereafter, an  
amount

8           equal to the amount of any (i) distributions, to the  
9           extent includible in gross income for federal income  
10          tax purposes, made to the taxpayer because of his or  
11          her status as a victim of persecution for racial or  
12          religious reasons by Nazi Germany or any other Axis  
13          regime or as an heir of the victim and (ii) items of  
14          income, to the extent includible in gross income for  
15          federal income tax purposes, attributable to,  
derived

16          from or in any way related to assets stolen from,  
17          hidden from, or otherwise lost to a victim of

18 persecution for racial or religious reasons by Nazi  
19 Germany or any other Axis regime immediately prior  
to,  
20 during, and immediately after World War II,  
including,  
21 but not limited to, interest on the proceeds  
receivable  
22 as insurance under policies issued to a victim of  
23 persecution for racial or religious reasons by Nazi  
24 Germany or any other Axis regime by European  
insurance  
25 companies immediately prior to and during World War  
II;  
26 provided, however, this subtraction from federal

09600SB2252ham003

- 102 -

LRB096 10038 RCE 27718 a

1 adjusted gross income does not apply to assets  
acquired  
2 with such assets or with the proceeds from the sale  
of  
3 such assets; provided, further, this paragraph shall  
4 only apply to a taxpayer who was the first recipient  
of  
5 such assets after their recovery and who is a victim  
of  
6 persecution for racial or religious reasons by Nazi  
7 Germany or any other Axis regime or as an heir of  
the  
8 victim. The amount of and the eligibility for any

9 public assistance, benefit, or similar entitlement  
10 is  
11 not affected by the inclusion of items (i) and (ii)  
12 of  
13 this paragraph in gross income for federal income  
14 tax  
15 purposes. This paragraph is exempt from the  
16 provisions  
17 of Section 250;

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

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

1 (2) for taxable years ending on or before

2 December 31, 2005, "x" equals "y" multiplied by  
30  
3 and then divided by 70 (or "y" multiplied by  
4 0.429); and

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

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

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

16 The aggregate amount deducted under this  
17 subparagraph in all taxable years for any one piece  
of  
18 property may not exceed the amount of the bonus  
19 depreciation deduction taken on that property on the  
20 taxpayer's federal income tax return under  
subsection

21 (k) of Section 168 of the Internal Revenue Code.

This  
22 subparagraph (R) is exempt from the provisions of  
23 Section 250;

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

09600SB2252ham003

- 104 -

LRB096 10038 RCE 27718 a

1 modification under subparagraph (G-10), then an  
amount

2 equal to that addition modification.

3 If the taxpayer continues to own property  
through

4 the last day of the last tax year for which the  
5 taxpayer may claim a depreciation deduction for  
6 federal income tax purposes and for which the  
taxpayer

7 was required in any taxable year to make an addition  
8 modification under subparagraph (G-10), then an  
amount

9 equal to that addition modification.

10 The taxpayer is allowed to take the deduction  
under

11 this subparagraph only once with respect to any one  
12 piece of property.

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

15 (T) The amount of (i) any interest income (net  
of

16 the deductions allocable thereto) taken into account

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

09600SB2252ham003

- 105 -

LRB096 10038 RCE 27718 a

1 respect to such transaction under Section  
2 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13),  
or  
3 203(d)(2)(D-8), but not to exceed the amount of such  
4 addition modification. This subparagraph (T) is  
exempt  
5 from the provisions of Section 250;  
6 (U) An amount equal to the interest income taken  
7 into account for the taxable year (net of the  
8 deductions allocable thereto) with respect to

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

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

23 108(i)(1)(A) or (B) of the Internal Revenue Code.

This

24 subparagraph (W) is exempt from the provisions of  
25 Section 250.

26 (3) Limitation. The amount of any modification

09600SB2252ham003

- 107 -

LRB096 10038 RCE 27718 a

1 otherwise required under this subsection shall, under  
2 regulations prescribed by the Department, be adjusted by  
3 any amounts included therein which were properly paid,  
4 credited, or required to be distributed, or permanently  
set

5 aside for charitable purposes pursuant to Internal  
Revenue

6 Code Section 642(c) during the taxable year.

7 (d) Partnerships.

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

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

13 of the following amounts:

14 (A) An amount equal to all amounts paid or  
accrued

15 to the taxpayer as interest or dividends during the

16 taxable year to the extent excluded from gross  
income

17 in the computation of taxable income;

18 (B) An amount equal to the amount of tax imposed  
by

19 this Act to the extent deducted from gross income  
for

20 the taxable year;

21 (C) The amount of deductions allowed to the  
22 partnership pursuant to Section 707 (c) of the  
Internal

23 Revenue Code in calculating its taxable income;

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

09600SB2252ham003

- 108 -

LRB096 10038 RCE 27718 a

1 Code, to the extent deducted from gross income in  
the

2 computation of taxable income;

3 (D-5) For taxable years 2001 and thereafter, an  
4 amount equal to the bonus depreciation deduction  
taken

5 on the taxpayer's federal income tax return for the  
6 taxable year under subsection (k) of Section 168 of  
the

7 Internal Revenue Code;

8 (D-6) If the taxpayer sells, transfers,  
abandons,

9 or otherwise disposes of property for which the  
10 taxpayer was required in any taxable year to make an

11 addition modification under subparagraph (D-5), then  
12 an amount equal to the aggregate amount of the  
13 deductions taken in all taxable years under  
14 subparagraph (O) with respect to that property.

15 If the taxpayer continues to own property  
through  
16 the last day of the last tax year for which the  
17 taxpayer may claim a depreciation deduction for  
18 federal income tax purposes and for which the  
taxpayer

19 was allowed in any taxable year to make a  
subtraction  
20 modification under subparagraph (O), then an amount  
21 equal to that subtraction modification.

22 The taxpayer is required to make the addition  
23 modification under this subparagraph only once with  
24 respect to any one piece of property;

25 (D-7) An amount equal to the amount otherwise  
26 allowed as a deduction in computing base income for

09600SB2252ham003

- 109 -

LRB096 10038 RCE 27718 a

1 interest paid, accrued, or incurred, directly or  
2 indirectly, (i) for taxable years ending on or after  
3 December 31, 2004, to a foreign person who would be  
a  
4 member of the same unitary business group but for  
the  
5 fact the foreign person's business activity outside  
6 the United States is 80% or more of the foreign

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

26 This paragraph shall not apply to the following:

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

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

12 (a) the person, during the same taxable  
13 year, paid, accrued, or incurred, the  
interest  
14 to a person that is not a related member,  
and

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

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

24           paid, accrued, or incurred relates to a contract  
or  
25           agreement entered into at arm's-length rates and  
26           terms and the principal purpose for the payment  
is

09600SB2252ham003

- 111 -

LRB096 10038 RCE 27718 a

1           not federal or Illinois tax avoidance; or  
2                   (iv) an item of interest paid, accrued, or  
3           incurred, directly or indirectly, to a person if  
4           the taxpayer establishes by clear and convincing  
5           evidence that the adjustments are unreasonable;  
or  
6           if the taxpayer and the Director agree in  
writing  
7           to the application or use of an alternative  
method  
8           of apportionment under Section 304(f).  
9           Nothing in this subsection shall preclude  
the  
10          Director from making any other adjustment  
11          otherwise allowed under Section 404 of this Act  
for  
12          any tax year beginning after the effective date  
of  
13          this amendment provided such adjustment is made  
14          pursuant to regulation adopted by the Department  
15          and such regulations provide methods and  
standards

16 by which the Department will utilize its  
authority  
17 under Section 404 of this Act; and  
18 (D-8) An amount equal to the amount of  
intangible  
19 expenses and costs otherwise allowed as a deduction  
in  
20 computing base income, and that were paid, accrued,  
or  
21 incurred, directly or indirectly, (i) for taxable  
22 years ending on or after December 31, 2004, to a  
23 foreign person who would be a member of the same  
24 unitary business group but for the fact that the  
25 foreign person's business activity outside the  
United  
26 States is 80% or more of that person's total  
business

09600SB2252ham003

- 112 -

LRB096 10038 RCE 27718 a

1 activity and (ii) for taxable years ending on or  
after  
2 December 31, 2008, to a person who would be a member  
of  
3 the same unitary business group but for the fact  
that  
4 the person is prohibited under Section 1501(a)(27)  
5 from being included in the unitary business group  
6 because he or she is ordinarily required to  
apportion

7 business income under different subsections of  
Section  
8 304. The addition modification required by this  
9 subparagraph shall be reduced to the extent that  
10 dividends were included in base income of the  
unitary  
11 group for the same taxable year and received by the  
12 taxpayer or by a member of the taxpayer's unitary  
13 business group (including amounts included in gross  
14 income pursuant to Sections 951 through 964 of the  
15 Internal Revenue Code and amounts included in gross  
16 income under Section 78 of the Internal Revenue  
Code)  
17 with respect to the stock of the same person to whom  
18 the intangible expenses and costs were directly or  
19 indirectly paid, incurred or accrued. The preceding  
20 sentence shall not apply to the extent that the same  
21 dividends caused a reduction to the addition  
22 modification required under Section 203(d)(2)(D-7)  
of  
23 this Act. As used in this subparagraph, the term  
24 "intangible expenses and costs" includes (1)  
expenses,  
25 losses, and costs for, or related to, the direct or  
26 indirect acquisition, use, maintenance or  
management,

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

11 This paragraph shall not apply to the following:

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

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

24 (a) the person during the same taxable  
25 year paid, accrued, or incurred, the  
26 intangible expense or cost to a person that  
is

09600SB2252ham003

- 114 -

LRB096 10038 RCE 27718 a

1 not a related member, and

2 (b) the transaction giving rise to the  
3 intangible expense or cost between the  
4 taxpayer and the person did not have as a  
5 principal purpose the avoidance of Illinois  
6 income tax, and is paid pursuant to a

contract

7 or agreement that reflects arm's-length  
terms;

8 or

9 (iii) any item of intangible expense or cost  
10 paid, accrued, or incurred, directly or  
11 indirectly, from a transaction with a person if

the

12 taxpayer establishes by clear and convincing  
13 evidence, that the adjustments are unreasonable;  
14 or if the taxpayer and the Director agree in  
15 writing to the application or use of an

alternative

16 method of apportionment under Section 304(f);

17 Nothing in this subsection shall preclude  
the

18 Director from making any other adjustment

19 otherwise allowed under Section 404 of this Act  
for  
20 any tax year beginning after the effective date  
of  
21 this amendment provided such adjustment is made  
22 pursuant to regulation adopted by the Department  
23 and such regulations provide methods and  
standards  
24 by which the Department will utilize its  
authority  
25 under Section 404 of this Act;  
26 (D-9) For taxable years ending on or after  
December

09600SB2252ham003

- 115 -

LRB096 10038 RCE 27718 a

1 31, 2008, an amount equal to the amount of insurance  
2 premium expenses and costs otherwise allowed as a  
3 deduction in computing base income, and that were  
paid,  
4 accrued, or incurred, directly or indirectly, to a  
5 person who would be a member of the same unitary  
6 business group but for the fact that the person is  
7 prohibited under Section 1501(a)(27) from being  
8 included in the unitary business group because he or  
9 she is ordinarily required to apportion business  
10 income under different subsections of Section 304.  
The  
11 addition modification required by this subparagraph  
12 shall be reduced to the extent that dividends were

13 included in base income of the unitary group for the  
14 same taxable year and received by the taxpayer or by  
a  
15 member of the taxpayer's unitary business group  
16 (including amounts included in gross income under  
17 Sections 951 through 964 of the Internal Revenue  
Code  
18 and amounts included in gross income under Section  
78  
19 of the Internal Revenue Code) with respect to the  
stock  
20 of the same person to whom the premiums and costs  
were  
21 directly or indirectly paid, incurred, or accrued.  
The  
22 preceding sentence does not apply to the extent that  
23 the same dividends caused a reduction to the  
addition  
24 modification required under Section 203(d)(2)(D-7)  
or  
25 Section 203(d)(2)(D-8) of this Act; and -  
26 (D-10) Income from discharge of indebtedness in

09600SB2252ham003

- 116 -

LRB096 10038 RCE 27718 a

1 connection with a reacquisition of an applicable  
debt  
2 instrument during the tax year, for which an  
election  
3 to defer the income was made under Section 108(i)(1)  
of

4           the Internal Revenue Code;

5           and by deducting from the total so obtained the  
6           following

6           amounts:

7                   (E) The valuation limitation amount;

8                   (F) An amount equal to the amount of any tax  
9           imposed by this Act which was refunded to the  
10          taxpayer

10          and included in such total for the taxable year;

11                   (G) An amount equal to all amounts included in  
12          taxable income as modified by subparagraphs (A),  
13          (B),

14                   (C) and (D) which are exempt from taxation by this  
15          State either by reason of its statutes or  
16          Constitution

17                   or by reason of the Constitution, treaties or  
18          statutes

19                   of the United States; provided that, in the case of  
20          any

21          statute of this State that exempts income derived  
22          from

23          bonds or other obligations from the tax imposed  
24          under

25          this Act, the amount exempted shall be the interest  
26          net

27          of bond premium amortization;

28                   (H) Any income of the partnership which  
29          constitutes personal service income as defined in  
30          Section 1348 (b) (1) of the Internal Revenue Code  
31          (as

32          in effect December 31, 1981) or a reasonable  
33          allowance

25           for compensation paid or accrued for services  
rendered  
26           by partners to the partnership, whichever is  
greater;

09600SB2252ham003

- 117 -

LRB096 10038 RCE 27718 a

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

8           (J) With the exception of any amounts subtracted  
9           under subparagraph (G), an amount equal to the sum  
of  
10          all amounts disallowed as deductions by (i) Sections  
11          171(a) (2), and 265(2) of the Internal Revenue Code  
of  
12          1954, as now or hereafter amended, and all amounts  
of  
13          expenses allocable to interest and disallowed as  
14          deductions by Section 265(1) of the Internal Revenue  
15          Code, as now or hereafter amended; and (ii) for  
taxable  
16          years ending on or after August 13, 1999, Sections  
17          171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
18          Internal Revenue Code; the provisions of this

19           subparagraph are exempt from the provisions of  
Section  
20           250;  
21           (K) An amount equal to those dividends included  
in  
22           such total which were paid by a corporation which  
23           conducts business operations in an Enterprise Zone  
or  
24           zones created under the Illinois Enterprise Zone  
Act,  
25           enacted by the 82nd General Assembly, or a River  
Edge  
26           Redevelopment Zone or zones created under the River

09600SB2252ham003

- 118 -

LRB096 10038 RCE 27718 a

1           Edge Redevelopment Zone Act and conducts  
substantially  
2           all of its operations in an Enterprise Zone or Zones  
or  
3           from a River Edge Redevelopment Zone or zones. This  
4           subparagraph (K) is exempt from the provisions of  
5           Section 250;  
6           (L) An amount equal to any contribution made to  
a  
7           job training project established pursuant to the  
Real  
8           Property Tax Increment Allocation Redevelopment Act;  
9           (M) An amount equal to those dividends included  
in  
10           such total that were paid by a corporation that

11           conducts business operations in a federally  
designated  
12           Foreign Trade Zone or Sub-Zone and that is  
designated a  
13           High Impact Business located in Illinois; provided  
14           that dividends eligible for the deduction provided  
in  
15           subparagraph (K) of paragraph (2) of this subsection  
16           shall not be eligible for the deduction provided  
under  
17           this subparagraph (M);  
18           (N) An amount equal to the amount of the  
deduction  
19           used to compute the federal income tax credit for  
20           restoration of substantial amounts held under claim  
of  
21           right for the taxable year pursuant to Section 1341  
of  
22           the Internal Revenue Code of 1986;  
23           (O) For taxable years 2001 and thereafter, for  
the  
24           taxable year in which the bonus depreciation  
deduction  
25           is taken on the taxpayer's federal income tax return  
26           under subsection (k) of Section 168 of the Internal

09600SB2252ham003

- 119 -

LRB096 10038 RCE 27718 a

1           Revenue Code and for each applicable taxable year  
2           thereafter, an amount equal to "x", where:

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

10                   (2) for taxable years ending on or before  
11                   December 31, 2005, "x" equals "y" multiplied by  
30  
12                   and then divided by 70 (or "y" multiplied by  
13                   0.429); and

14                   (3) for taxable years ending after December  
15                   31, 2005:

16                   (i) for property on which a bonus  
17                   depreciation deduction of 30% of the  
adjusted  
18                   basis was taken, "x" equals "y" multiplied  
by  
19                   30 and then divided by 70 (or "y" multiplied  
by  
20                   0.429); and

21                   (ii) for property on which a bonus  
22                   depreciation deduction of 50% of the  
adjusted  
23                   basis was taken, "x" equals "y" multiplied  
by  
24                   1.0.

25                   The aggregate amount deducted under this

26           subparagraph in all taxable years for any one piece  
of

09600SB2252ham003           - 120 -           LRB096 10038 RCE 27718 a

1           property may not exceed the amount of the bonus  
2           depreciation deduction taken on that property on the  
3           taxpayer's federal income tax return under  
subsection

4           (k) of Section 168 of the Internal Revenue Code.

This

5           subparagraph (O) is exempt from the provisions of  
6           Section 250;

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

8           otherwise disposes of property for which the  
taxpayer

9           was required in any taxable year to make an addition  
10          modification under subparagraph (D-5), then an  
amount

11          equal to that addition modification.

12          If the taxpayer continues to own property  
through

13          the last day of the last tax year for which the  
14          taxpayer may claim a depreciation deduction for  
15          federal income tax purposes and for which the  
taxpayer

16          was required in any taxable year to make an addition  
17          modification under subparagraph (D-5), then an  
amount

18          equal to that addition modification.

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

22           This subparagraph (P) is exempt from the  
23           provisions of Section 250;

24           (Q) The amount of (i) any interest income (net  
of  
25           the deductions allocable thereto) taken into account  
26           for the taxable year with respect to a transaction  
with

09600SB2252ham003

- 121 -

LRB096 10038 RCE 27718 a

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

12 203(d)(2)(D-8), but not to exceed the amount of such  
13 addition modification. This subparagraph (Q) is  
exempt

14 from Section 250;

15 (R) An amount equal to the interest income taken  
16 into account for the taxable year (net of the  
17 deductions allocable thereto) with respect to  
18 transactions with (i) a foreign person who would be

a  
19 member of the taxpayer's unitary business group but  
for

20 the fact that the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity and (ii) for

taxable  
23 years ending on or after December 31, 2008, to a  
person

24 who would be a member of the same unitary business  
25 group but for the fact that the person is prohibited  
26 under Section 1501(a)(27) from being included in the

09600SB2252ham003

- 122 -

LRB096 10038 RCE 27718 a

1 unitary business group because he or she is  
ordinarily

2 required to apportion business income under  
different

3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the  
same

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

26 intangible expenses and costs paid, accrued, or

09600SB2252ham003

- 123 -

LRB096 10038 RCE 27718 a

1 incurred, directly or indirectly, to the same  
person.

2 This subparagraph (S) is exempt from Section 250;  
and -

3 (T) Income from discharge of indebtedness  
included

4 in taxable income for the taxable year under Section  
5 108(i)(1)(A) or (B) of the Internal Revenue Code.

This  
6 subparagraph (T) is exempt from the provisions of  
7 Section 250.

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

9 (1) In general. Subject to the provisions of  
paragraph

10 (2) and subsection (b) (3), for purposes of this Section  
11 and Section 803(e), a taxpayer's gross income, adjusted  
12 gross income, or taxable income for the taxable year  
shall

13 mean the amount of gross income, adjusted gross income  
or

14 taxable income properly reportable for federal income  
tax

15 purposes for the taxable year under the provisions of  
the

16 Internal Revenue Code. Taxable income may be less than  
17 zero. However, for taxable years ending on or after

18 December 31, 1986, net operating loss carryforwards from  
19 taxable years ending prior to December 31, 1986, may not  
20 exceed the sum of federal taxable income for the taxable  
21 year before net operating loss deduction, plus the  
excess  
22 of addition modifications over subtraction modifications  
23 for the taxable year. For taxable years ending prior to  
24 December 31, 1986, taxable income may never be an amount  
in  
25 excess of the net operating loss for the taxable year as

09600SB2252ham003

- 124 -

LRB096 10038 RCE 27718 a

1 defined in subsections (c) and (d) of Section 172 of the  
2 Internal Revenue Code, provided that when taxable income  
of  
3 a corporation (other than a Subchapter S corporation),  
4 trust, or estate is less than zero and addition  
5 modifications, other than those provided by subparagraph  
6 (E) of paragraph (2) of subsection (b) for corporations  
or  
7 subparagraph (E) of paragraph (2) of subsection (c) for  
8 trusts and estates, exceed subtraction modifications, an  
9 addition modification must be made under those  
10 subparagraphs for any other taxable year to which the  
11 taxable income less than zero (net operating loss) is  
12 applied under Section 172 of the Internal Revenue Code  
or  
13 under subparagraph (E) of paragraph (2) of this  
subsection

14 (e) applied in conjunction with Section 172 of the  
Internal  
15 Revenue Code.

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

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

26 (B) Certain other insurance companies. In the  
case

09600SB2252ham003 - 125 - LRB096 10038 RCE 27718 a

1 of mutual insurance companies subject to the tax  
2 imposed by Section 831 of the Internal Revenue Code,  
3 insurance company taxable income;

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

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

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

25 For  
26 purposes of this subparagraph, the taxpayer's  
separate  
taxable income shall be determined as if the  
election  
provided by Section 243(b) (2) of the Internal  
Revenue  
Code had been in effect for all such years;

                  (F) Cooperatives. In the case of a cooperative  
corporation or association, the taxable income of  
such  
organization determined in accordance with the

1 provisions of Section 1381 through 1388 of the  
Internal  
2 Revenue Code;

3 (G) Subchapter S corporations. In the case of:

(i)

4 a Subchapter S corporation for which there is in  
effect  
5 an election for the taxable year under Section 1362  
of  
6 the Internal Revenue Code, the taxable income of  
such

7 corporation determined in accordance with Section  
8 1363(b) of the Internal Revenue Code, except that  
9 taxable income shall take into account those items  
10 which are required by Section 1363(b)(1) of the  
11 Internal Revenue Code to be separately stated; and

(ii)

12 a Subchapter S corporation for which there is in  
effect  
13 a federal election to opt out of the provisions of  
the  
14 Subchapter S Revision Act of 1982 and have applied  
15 instead the prior federal Subchapter S rules as in  
16 effect on July 1, 1982, the taxable income of such  
17 corporation determined in accordance with the  
federal

18 Subchapter S rules as in effect on July 1, 1982; and

19 (H) Partnerships. In the case of a partnership,  
20 taxable income determined in accordance with Section  
21 703 of the Internal Revenue Code, except that  
taxable

22 income shall take into account those items which are  
23 required by Section 703(a)(1) to be separately  
stated  
24 but which would be taken into account by an  
individual  
25 in calculating his taxable income.  
26 (3) Recapture of business expenses on disposition of

09600SB2252ham003

- 127 -

LRB096 10038 RCE 27718 a

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

15 the taxable year and for the 2 immediately preceding  
16 taxable years.

17 (f) Valuation limitation amount.

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

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

09600SB2252ham003

- 128 -

LRB096 10038 RCE 27718 a

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

8 subsection (a) (2) (F) or (c) (2) (H).

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

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

21 (B) If the fair market value of property  
22 referred  
23 to in paragraph (1) was not readily ascertainable on  
24 August 1, 1969, the pre-August 1, 1969 appreciation  
25 amount for such property is that amount which bears  
26 the  
the  
same ratio to the total gain reported in respect of  
the  
property for federal income tax purposes for the

1 taxable year, as the number of full calendar months  
in  
2 that part of the taxpayer's holding period for the  
3 property ending July 31, 1969 bears to the number of  
4 full calendar months in the taxpayer's entire  
holding  
5 period for the property.

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

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

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

21 (Source: P.A. 94-776, eff. 5-19-06; 94-789, eff. 5-19-06;  
22 94-1021, eff. 7-12-06; 94-1074, eff. 12-26-06; 95-23, eff.  
23 8-3-07; 95-233, eff. 8-16-07; 95-286, eff. 8-20-07; 95-331,

24 eff. 8-21-07; 95-707, eff. 1-11-08; 95-876, eff. 8-21-08;

09600SB2252ham003

- 130 -

LRB096 10038 RCE 27718 a

1 revised 10-15-08.)

2 (35 ILCS 5/804) (from Ch. 120, par. 8-804)

3 Sec. 804. Failure to Pay Estimated Tax.

4 (a) In general. In case of any underpayment of estimated  
5 tax by a taxpayer, except as provided in subsection (d) or  
6 (e),

7 the taxpayer shall be liable to a penalty in an amount  
8 determined at the rate prescribed by Section 3-3 of the  
9 Uniform

10 Penalty and Interest Act upon the amount of the underpayment  
11 (determined under subsection (b)) for each required  
12 installment.

13 (b) Amount of underpayment. For purposes of subsection  
14 (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  
19 or

20 before the last date prescribed for payment.

21 (c) Amount of Required Installments.

22 (1) Amount.

(A) In General. Except as provided in paragraph

(2), the amount of any required installment shall be  
25% of the required annual payment.

(B) Required Annual Payment. For purposes of

23           subparagraph (A), the term "required annual payment"  
24           means the lesser of  
25                       (i) 90% of the tax shown on the return for  
the

09600SB2252ham003

- 131 -

LRB096 10038 RCE 27718 a

1           taxable year, or if no return is filed, 90% of  
the  
2           tax for such year, or  
3                       (ii) for installments due prior to April 1,  
4                       2010, and installments due after April 1, 2011,  
5           100% of the tax shown on the return of the  
taxpayer  
6           for the preceding taxable year if a return  
showing  
7           a liability for tax was filed by the taxpayer  
for  
8           the preceding taxable year and such preceding  
year  
9           was a taxable year of 12 months; or -  
10                      (iii) for installments due after April 1,  
2010  
11           and prior to April 1, 2011, 120% of the tax  
shown  
12           on the return of the taxpayer for the preceding  
13           taxable year if a return showing a liability for  
14           tax was filed by the taxpayer for the preceding  
15           taxable year and that preceding year was a  
taxable

16                   year of 12 months; except that the amount due  
 17                   for  
 18                   the first installment due after April 1, 2010,  
 19                   shall equal the amount that, when added to the  
 20                   total of all prior installments paid for that  
 21                   taxable year, equals the total of the  
 22                   installments  
 23                   that would be due if this item (iii) had applied  
 24                   to  
 25                   all installments due for that taxable year.

23           (2) Lower Required Installment where Annualized  
 Income  
 24           Installment is Less Than Amount Determined Under  
 Paragraph  
 25           (1).  
 26           (A) In General. In the case of any required

09600SB2252ham003

- 132 -

LRB096 10038 RCE 27718 a

1           installment if a taxpayer establishes that the  
 2           annualized income installment is less than the  
 3           amount  
 4           determined under paragraph (1),  
 5                   (i) the amount of such required installment  
 6                   shall be the annualized income installment, and  
 7                   (ii) any reduction in a required installment  
 8                   resulting from the application of this  
 9                   subparagraph shall be recaptured by increasing  
 10           the

9 amount of the next required installment  
determined  
10 under paragraph (1) by the amount of such  
11 reduction, and by increasing subsequent required  
12 installments to the extent that the reduction  
has  
13 not previously been recaptured under this  
clause.

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

18 (i) an amount equal to the applicable  
19 percentage of the tax for the taxable year  
computed

20 by placing on an annualized basis the net income  
21 for months in the taxable year ending before the  
22 due date for the installment, over

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

25 (C) Applicable Percentage.

26 In the case of the following The applicable

	required installments:	percentage is:
1		
2	1st .....	22.5%
3	2nd .....	45%
4	3rd .....	67.5%
5	4th .....	90%

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

9 (i) multiplying by 12, or in the case of a  
10 taxable year of less than 12 months, by the

number

11 of months in the taxable year, the net income  
12 computed without regard to the standard

exemption

13 for the months in the taxable year ending before  
14 the month in which the installment is required

to

15 be paid;

16 (ii) dividing the resulting amount by the  
17 number of months in the taxable year ending

before

18 the month in which such installment date falls;

and

19 (iii) deducting from such amount the

standard

20 exemption allowable for the taxable year, such  
21 standard exemption being determined as of the

last

22 date prescribed for payment of the installment.

23 (E) Annualized Net Income; Corporations. For  
24 corporations, net income shall be placed on an

25 annualized basis by multiplying by 12 the taxable  
26 income

09600SB2252ham003 - 134 - LRB096 10038 RCE 27718 a

1 (i) for the first 3 months of the taxable  
year,  
2 in the case of the installment required to be  
paid  
3 in the 4th month,  
4 (ii) for the first 3 months or for the first  
5  
6 months of the taxable year, in the case of the  
installment required to be paid in the 6th  
month,  
7 (iii) for the first 6 months or for the  
first 8  
8 months of the taxable year, in the case of the  
9 installment required to be paid in the 9th  
month,  
10 and  
11 (iv) for the first 9 months or for the first  
11  
12 months of the taxable year, in the case of the  
13 installment required to be paid in the 12th  
month  
14 of the taxable year,  
15 then dividing the resulting amount by the number of  
16 months in the taxable year (3, 5, 6, 8, 9, or 11 as  
the  
17 case may be).

18 (d) Exceptions. Notwithstanding the provisions of the  
19 preceding subsections, the penalty imposed by subsection (a)  
20 shall not be imposed if the taxpayer was not required to  
file  
21 an Illinois income tax return for the preceding taxable  
year,  
22 or, for individuals, if the taxpayer had no tax liability  
for  
23 the preceding taxable year and such year was a taxable year  
of  
24 12 months. The penalty imposed by subsection (a) shall also  
not  
25 be imposed on any underpayments of estimated tax due before  
the  
26 effective date of this amendatory Act of 1998 which

09600SB2252ham003

- 135 -

LRB096 10038 RCE 27718 a

1 underpayments are solely attributable to the change in  
2 apportionment from subsection (a) to subsection (h) of  
Section  
3 304. The provisions of this amendatory Act of 1998 apply to  
tax  
4 years ending on or after December 31, 1998.  
5 (e) The penalty imposed for underpayment of estimated  
tax  
6 by subsection (a) of this Section shall not be imposed to  
the  
7 extent that the Director or his or her designate determines,  
8 pursuant to Section 3-8 of the Uniform Penalty and Interest  
Act  
9 that the penalty should not be imposed.

10 (f) Definition of tax. For purposes of subsections (b)  
and

11 (c), the term "tax" means the excess of the tax imposed  
under

12 Article 2 of this Act, over the amounts credited against  
such

13 tax under Sections 601(b) (3) and (4).

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

16 (1) in the case of an individual, tax withheld from  
17 compensation for the taxable year shall be deemed a  
payment

18 of estimated tax, and an equal part of such amount shall  
be

19 deemed paid on each installment date for such taxable  
year,

20 unless the taxpayer establishes the dates on which all  
21 amounts were actually withheld, in which case the  
amounts

22 so withheld shall be deemed payments of estimated tax on  
23 the dates on which such amounts were actually withheld;

24 (2) amounts timely paid by a partnership, Subchapter  
S

25 corporation, or trust on behalf of a partner,  
shareholder,

26 or beneficiary pursuant to subsection (f) of Section 502  
or

1 Section 709.5 and claimed as a payment of estimated tax

2 shall be deemed a payment of estimated tax made on the  
last  
3 day of the taxable year of the partnership, Subchapter S  
4 corporation, or trust for which the income from the  
5 withholding is made was computed; and

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

10 (g-5) Amounts withheld under the State Salary and  
Annuity  
11 Withholding Act. An individual who has amounts withheld  
under  
12 paragraph (10) of Section 4 of the State Salary and Annuity  
13 Withholding Act may elect to have those amounts treated as  
14 payments of estimated tax made on the dates on which those  
15 amounts are actually withheld.

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

19 The changes in this Section made by Public Act 84-127  
shall  
20 apply to taxable years ending on or after January 1, 1986.  
21 (Source: P.A. 95-233, eff. 8-16-07.)

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