

1 AMENDMENT TO SENATE BILL 1634

2 AMENDMENT NO. _____. Amend Senate Bill 1634 by replacing
3 the title with the following:

4 "AN ACT concerning taxes."; and

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

7 "Section 5. The Illinois Income Tax Act is amended by
8 changing Sections 201, 204, and 207 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
14 privilege of earning or receiving income in or as a resident
15 of this State. Such tax shall be in addition to all other
16 occupation or privilege taxes imposed by this State or by any
17 municipal corporation or political subdivision thereof.

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

21 (1) In the case of an individual, trust or estate,

1 for taxable years ending prior to July 1, 1989, an amount
2 equal to 2 1/2% of the taxpayer's net income for the
3 taxable year.

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

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

15 (4) (Blank).

16 (5) (Blank).

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

20 (7) In the case of a corporation, for taxable years
21 beginning prior to July 1, 1989 and ending after June 30,
22 1989, an amount equal to the sum of (i) 4% of the
23 taxpayer's net income for the period prior to July 1,
24 1989, as calculated under Section 202.3, and (ii) 4.8% of
25 the taxpayer's net income for the period after June 30,
26 1989, as calculated under Section 202.3.

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

30 (c) Personal Property Tax Replacement Income Tax.
31 Beginning on July 1, 1979 and thereafter, in addition to such
32 income tax, there is also hereby imposed the Personal
33 Property Tax Replacement Income Tax measured by net income on
34 every corporation (including Subchapter S corporations),

1 partnership and trust, for each taxable year ending after
2 June 30, 1979. Such taxes are imposed on the privilege of
3 earning or receiving income in or as a resident of this
4 State. The Personal Property Tax Replacement Income Tax
5 shall be in addition to the income tax imposed by subsections
6 (a) and (b) of this Section and in addition to all other
7 occupation or privilege taxes imposed by this State or by any
8 municipal corporation or political subdivision thereof.

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

21 (d-1) Rate reduction for certain foreign insurers. In
22 the case of a foreign insurer, as defined by Section 35A-5 of
23 the Illinois Insurance Code, whose state or country of
24 domicile imposes on insurers domiciled in Illinois a
25 retaliatory tax (excluding any insurer whose premiums from
26 reinsurance assumed are 50% or more of its total insurance
27 premiums as determined under paragraph (2) of subsection (b)
28 of Section 304, except that for purposes of this
29 determination premiums from reinsurance do not include
30 premiums from inter-affiliate reinsurance arrangements),
31 beginning with taxable years ending on or after December 31,
32 1999, the sum of the rates of tax imposed by subsections (b)
33 and (d) shall be reduced (but not increased) to the rate at
34 which the total amount of tax imposed under this Act, net of

1 all credits allowed under this Act, shall equal (i) the total
2 amount of tax that would be imposed on the foreign insurer's
3 net income allocable to Illinois for the taxable year by such
4 foreign insurer's state or country of domicile if that net
5 income were subject to all income taxes and taxes measured by
6 net income imposed by such foreign insurer's state or country
7 of domicile, net of all credits allowed or (ii) a rate of
8 zero if no such tax is imposed on such income by the foreign
9 insurer's state of domicile. For the purposes of this
10 subsection (d-1), an inter-affiliate includes a mutual
11 insurer under common management.

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

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

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

25 equals 1.25% of the net taxable premiums written for the
26 taxable year, as described by subsection (1) of Section
27 409 of the Illinois Insurance Code. This paragraph will
28 in no event increase the rates imposed under subsections
29 (b) and (d).

30 (2) Any reduction in the rates of tax imposed by
31 this subsection shall be applied first against the rates
32 imposed by subsection (b) and only after the tax imposed
33 by subsection (a) net of all credits allowed under this
34 Section other than the credit allowed under subsection

1 (i) has been reduced to zero, against the rates imposed
2 by 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
6 credit against the Personal Property Tax Replacement Income
7 Tax for investment in qualified property.

8 (1) A taxpayer shall be allowed a credit equal to
9 .5% of the basis of qualified property placed in service
10 during the taxable year, provided such property is placed
11 in service on or after July 1, 1984. There shall be
12 allowed an additional credit equal to .5% of the basis of
13 qualified property placed in service during the taxable
14 year, provided such property is placed in service on or
15 after July 1, 1986, and the taxpayer's base employment
16 within Illinois has increased by 1% or more over the
17 preceding year as determined by the taxpayer's employment
18 records filed with the Illinois Department of Employment
19 Security. Taxpayers who are new to Illinois shall be
20 deemed to have met the 1% growth in base employment for
21 the first year in which they file employment records with
22 the Illinois Department of Employment Security. The
23 provisions added to this Section by Public Act 85-1200
24 (and restored by Public Act 87-895) shall be construed as
25 declaratory of existing law and not as a new enactment.
26 If, in any year, the increase in base employment within
27 Illinois over the preceding year is less than 1%, the
28 additional credit shall be limited to that percentage
29 times a fraction, the numerator of which is .5% and the
30 denominator of which is 1%, but shall not exceed .5%.
31 The investment credit shall not be allowed to the extent
32 that it would reduce a taxpayer's liability in any tax
33 year below zero, nor may any credit for qualified
34 property be allowed for any year other than the year in

1 which the property was placed in service in Illinois. For
2 tax years ending on or after December 31, 1987, and on or
3 before 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
7 or the liability as later amended, such excess may be
8 carried forward and applied to the tax liability of the 5
9 taxable years following the excess credit years if the
10 taxpayer (i) makes investments which cause the creation
11 of a minimum of 2,000 full-time equivalent jobs in
12 Illinois, (ii) is located in an enterprise zone
13 established pursuant to the Illinois Enterprise Zone Act
14 and (iii) is certified by the Department of Commerce and
15 Community Affairs as complying with the requirements
16 specified in clause (i) and (ii) by July 1, 1986. The
17 Department of Commerce and Community Affairs shall notify
18 the Department of Revenue of all such certifications
19 immediately. For tax years ending after December 31,
20 1988, the credit shall be allowed for the tax year in
21 which the property is placed in service, or, if the
22 amount of the credit exceeds the tax liability for that
23 year, whether it exceeds the original liability or the
24 liability as later amended, such excess may be carried
25 forward and applied to the tax liability of the 5 taxable
26 years following the excess credit years. The credit shall
27 be applied to the earliest year for which there is a
28 liability. If there is credit from more than one tax year
29 that is available to offset a liability, earlier credit
30 shall be applied first.

31 (2) The term "qualified property" means property
32 which:

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

1 buildings and signs that are real property, but not
2 including land or improvements to real property that
3 are not a structural component of a building such as
4 landscaping, sewer lines, local access roads,
5 fencing, parking lots, and other appurtenances;

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

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

13 (D) is used in Illinois by a taxpayer who is
14 primarily engaged in manufacturing, or in mining
15 coal or fluorite, or in retailing; and

16 (E) has not previously been used in Illinois
17 in such a manner and by such a person as would
18 qualify for the credit provided by this subsection
19 (e) or subsection (f).

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

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

1 federal income tax purposes.

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

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

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

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

32 (9) Each taxable year ending before December 31,
33 2000, a partnership may elect to pass through to its
34 partners the credits to which the partnership is entitled

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

15 For taxable years ending on or after December 31,
16 2000, a partner that qualifies its partnership for a
17 subtraction under subparagraph (I) of paragraph (2) of
18 subsection (d) of Section 203 or a shareholder that
19 qualifies a Subchapter S corporation for a subtraction
20 under subparagraph (S) of paragraph (2) of subsection (b)
21 of Section 203 shall be allowed a credit under this
22 subsection (e) equal to its share of the credit earned
23 under this subsection (e) during the taxable year by the
24 partnership or Subchapter S corporation, determined in
25 accordance with the determination of income and
26 distributive share of income under Sections 702 and 704
27 and Subchapter S of the Internal Revenue Code. This
28 paragraph is exempt from the provisions of Section 250.

29 (f) Investment credit; Enterprise Zone.

30 (1) A taxpayer shall be allowed a credit against
31 the tax imposed by subsections (a) and (b) of this
32 Section for investment in qualified property which is
33 placed in service in an Enterprise Zone created pursuant
34 to the Illinois Enterprise Zone Act. For partners,

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

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

29 (A) is tangible, whether new or used,
30 including buildings and structural components of
31 buildings;

32 (B) is depreciable pursuant to Section 167 of
33 the Internal Revenue Code, except that "3-year
34 property" as defined in Section 168(c)(2)(A) of that

1 Code is not eligible for the credit provided by this
2 subsection (f);

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

5 (D) is used in the Enterprise Zone by the
6 taxpayer; and

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

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

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

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

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

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

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

7 (1) A taxpayer conducting a trade or business in an
8 enterprise zone or a High Impact Business designated by
9 the Department of Commerce and Community Affairs
10 conducting a trade or business in a federally designated
11 Foreign Trade Zone or Sub-Zone shall be allowed a credit
12 against the tax imposed by subsections (a) and (b) of
13 this Section in the amount of \$500 per eligible employee
14 hired to work in the zone during the taxable year.

15 (2) To qualify for the credit:

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

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

28 (C) the eligible employees must be employed
29 180 consecutive days in order to be deemed hired for
30 purposes of this subsection.

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

33 (A) Certified by the Department of Commerce
34 and Community Affairs as "eligible for services"

1 pursuant to regulations promulgated in accordance
2 with Title II of the Job Training Partnership Act,
3 Training Services for the Disadvantaged or Title III
4 of the Job Training Partnership Act, Employment and
5 Training Assistance for Dislocated Workers Program.

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

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

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

18 (4) For tax years ending on or after December 31,
19 1985 and prior to December 31, 1988, the credit shall be
20 allowed for the tax year in which the eligible employees
21 are hired. For tax years ending on or after December 31,
22 1988, the credit shall be allowed for the tax year
23 immediately following the tax year in which the eligible
24 employees are hired. If the amount of the credit exceeds
25 the tax liability for that year, whether it exceeds the
26 original liability or the liability as later amended,
27 such excess may be carried forward and applied to the tax
28 liability of the 5 taxable years following the excess
29 credit year. The credit shall be applied to the earliest
30 year for which there is a liability. If there is credit
31 from more than one tax year that is available to offset a
32 liability, earlier credit shall be applied first.

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

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

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

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

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

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

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

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

27 (D) is not eligible for the Enterprise Zone
28 Investment Credit provided by subsection (f) of this
29 Section.

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

33 (4) If the basis of the property for federal income
34 tax depreciation purposes is increased after it has been

1 placed in service in a federally designated Foreign Trade
2 Zone or Sub-Zone located in Illinois by the taxpayer, the
3 amount of such increase shall be deemed property placed
4 in service on the date of such increase in basis.

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

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

26 (7) Beginning with tax years ending after December
27 31, 1996, if a taxpayer qualifies for the credit under
28 this subsection (h) and thereby is granted a tax
29 abatement and the taxpayer relocates its entire facility
30 in violation of the explicit terms and length of the
31 contract under Section 18-183 of the Property Tax Code,
32 the tax imposed under subsections (a) and (b) of this
33 Section shall be increased for the taxable year in which
34 the taxpayer relocated its facility by an amount equal to

1 the amount of credit received by the taxpayer under this
2 subsection (h).

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

14 Any credit earned on or after December 31, 1986 under
15 this subsection which is unused in the year the credit is
16 computed because it exceeds the tax liability imposed by
17 subsections (a) and (b) for that year (whether it exceeds the
18 original liability or the liability as later amended) may be
19 carried forward and applied to the tax liability imposed by
20 subsections (a) and (b) of the 5 taxable years following the
21 excess credit year, provided that no credit may be carried
22 forward to any year ending on or after December 31, 2003.

23 This 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
27 subsection shall be applied first.

28 If, during any taxable year ending on or after December
29 31, 1986, the tax imposed by subsections (c) and (d) of this
30 Section for which a taxpayer has claimed a credit under this
31 subsection (i) is reduced, the amount of credit for such tax
32 shall also be reduced. Such reduction shall be determined by
33 recomputing the credit to take into account the reduced tax
34 imposed by subsections (c) and (d). If any portion of the

1 reduced amount of credit has been carried to a different
2 taxable year, an amended return shall be filed for such
3 taxable year to reduce the amount of credit claimed.

4 (j) Training expense credit. Beginning with tax years
5 ending on or after December 31, 1986 and prior to December
6 31, 2003, a taxpayer shall be allowed a credit against the
7 tax imposed by subsections (a) and (b) under this Section for
8 all amounts paid or accrued, on behalf of all persons
9 employed by the taxpayer in Illinois or Illinois residents
10 employed outside of Illinois by a taxpayer, for educational
11 or vocational training in semi-technical or technical fields
12 or semi-skilled or skilled fields, which were deducted from
13 gross income in the computation of taxable income. The
14 credit against the tax imposed by subsections (a) and (b)
15 shall be 1.6% of such training expenses. For partners,
16 shareholders of subchapter S corporations, and owners of
17 limited liability companies, if the liability company is
18 treated as a partnership for purposes of federal and State
19 income taxation, there shall be allowed a credit under this
20 subsection (j) to be determined in accordance with the
21 determination of income and distributive share of income
22 under Sections 702 and 704 and subchapter S of the Internal
23 Revenue Code.

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

34 (k) Research and development credit.

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

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

29 Any credit in excess of the tax liability for the taxable
30 year may be carried forward. A taxpayer may elect to have the
31 unused credit shown on its final completed return carried
32 over as a credit against the tax liability for the following
33 5 taxable years or until it has been fully used, whichever
34 occurs first; provided that no credit may be carried forward

1 to any year ending on or after December 31, 2003.

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

14 ~~Unless--extended--by--law,--the--credit--shall--not--include~~
15 ~~costs--incurred--after--December--31,--2004,--except--for--costs~~
16 ~~incurred--pursuant--to--a--binding--contract--entered--into--on--or~~
17 ~~before--December--31,--2004.~~

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

21 (1) Environmental Remediation Tax Credit.

22 (i) For tax years ending after December 31, 1997
23 and on or before December 31, 2001, a taxpayer shall be
24 allowed a credit against the tax imposed by subsections
25 (a) and (b) of this Section for certain amounts paid for
26 unreimbursed eligible remediation costs, as specified in
27 this subsection. For purposes of this Section,
28 "unreimbursed eligible remediation costs" means costs
29 approved by the Illinois Environmental Protection Agency
30 ("Agency") under Section 58.14 of the Environmental
31 Protection Act that were paid in performing environmental
32 remediation at a site for which a No Further Remediation
33 Letter was issued by the Agency and recorded under
34 Section 58.10 of the Environmental Protection Act. The

1 credit must be claimed for the taxable year in which
2 Agency approval of the eligible remediation costs is
3 granted. The credit is not available to any taxpayer if
4 the taxpayer or any related party caused or contributed
5 to, in any material respect, a release of regulated
6 substances on, in, or under the site that was identified
7 and addressed by the remedial action pursuant to the Site
8 Remediation Program of the Environmental Protection Act.
9 After the Pollution Control Board rules are adopted
10 pursuant to the Illinois Administrative Procedure Act for
11 the administration and enforcement of Section 58.9 of the
12 Environmental Protection Act, determinations as to credit
13 availability for purposes of this Section shall be made
14 consistent with those rules. For purposes of this
15 Section, "taxpayer" includes a person whose tax
16 attributes the taxpayer has succeeded to under Section
17 381 of the Internal Revenue Code and "related party"
18 includes the persons disallowed a deduction for losses by
19 paragraphs (b), (c), and (f)(1) of Section 267 of the
20 Internal Revenue Code by virtue of being a related
21 taxpayer, as well as any of its partners. The credit
22 allowed against the tax imposed by subsections (a) and
23 (b) shall be equal to 25% of the unreimbursed eligible
24 remediation costs in excess of \$100,000 per site, except
25 that the \$100,000 threshold shall not apply to any site
26 contained in an enterprise zone as determined by the
27 Department of Commerce and Community Affairs. The total
28 credit allowed shall not exceed \$40,000 per year with a
29 maximum total of \$150,000 per site. For partners and
30 shareholders of subchapter S corporations, there shall be
31 allowed a credit under this subsection to be determined
32 in accordance with the determination of income and
33 distributive share of income under Sections 702 and 704
34 and subchapter S of the Internal Revenue Code.

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

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

30 (m) Education expense credit. Beginning with tax years
31 ending after December 31, 1999, a taxpayer who is the
32 custodian of one or more qualifying pupils shall be allowed a
33 credit against the tax imposed by subsections (a) and (b) of
34 this Section for qualified education expenses incurred on

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

9 For purposes of this subsection:

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

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

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

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

31 (Source: P.A. 91-9, eff. 1-1-00; 91-357, eff. 7-29-99;
32 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860, eff.
33 6-22-00; 91-913, eff. 1-1-01; 92-12, eff. 7-1-01; 92-16, eff.
34 6-28-01; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02.)

(35 ILCS 5/204) (from Ch. 120, par. 2-204)

Sec. 204. Standard Exemption.

(a) Allowance of exemption. In computing net income under this Act, there shall be allowed as an exemption the sum of the amounts determined under subsections (b), (c) and (d), multiplied by a fraction the numerator of which is the amount of the taxpayer's base income allocable to this State for the taxable year and the denominator of which is the taxpayer's total base income for the taxable year.

(b) Basic amount. For the purpose of subsection (a) of this Section, except as provided by subsection (a) of Section 205 and in this subsection, each taxpayer shall be allowed a basic amount of \$1000, except that for corporations the basic amount shall be zero for tax years ending on or after December 31, 2003, and for individuals the basic amount shall be:

- (1) for taxable years ending on or after December 31, 1998 and prior to December 31, 1999, \$1,300;
- (2) for taxable years ending on or after December 31, 1999 and prior to December 31, 2000, \$1,650;
- (3) for taxable years ending on or after December 31, 2000, \$2,000.

For taxable years ending on or after December 31, 1992, a taxpayer whose Illinois base income exceeds the basic amount and who is claimed as a dependent on another person's tax return under the Internal Revenue Code of 1986 shall not be allowed any basic amount under this subsection.

(c) Additional amount for individuals. In the case of an individual taxpayer, there shall be allowed for the purpose of subsection (a), in addition to the basic amount provided by subsection (b), an additional exemption equal to the basic amount for each exemption in excess of one allowable to such individual taxpayer for the taxable year under Section 151 of the Internal Revenue Code.

1 (d) Additional exemptions for an individual taxpayer and
2 his or her spouse. In the case of an individual taxpayer and
3 his or her spouse, he or she shall each be allowed additional
4 exemptions as follows:

5 (1) Additional exemption for taxpayer or spouse 65
6 years of age or older.

7 (A) For taxpayer. An additional exemption of
8 \$1,000 for the taxpayer if he or she has attained
9 the age of 65 before the end of the taxable year.

10 (B) For spouse when a joint return is not
11 filed. An additional exemption of \$1,000 for the
12 spouse of the taxpayer if a joint return is not made
13 by the taxpayer and his spouse, and if the spouse
14 has attained the age of 65 before the end of such
15 taxable year, and, for the calendar year in which
16 the taxable year of the taxpayer begins, has no
17 gross income and is not the dependent of another
18 taxpayer.

19 (2) Additional exemption for blindness of taxpayer
20 or spouse.

21 (A) For taxpayer. An additional exemption of
22 \$1,000 for the taxpayer if he or she is blind at the
23 end of the taxable year.

24 (B) For spouse when a joint return is not
25 filed. An additional exemption of \$1,000 for the
26 spouse of the taxpayer if a separate return is made
27 by the taxpayer, and if the spouse is blind and, for
28 the calendar year in which the taxable year of the
29 taxpayer begins, has no gross income and is not the
30 dependent of another taxpayer. For purposes of this
31 paragraph, the determination of whether the spouse
32 is blind shall be made as of the end of the taxable
33 year of the taxpayer; except that if the spouse dies
34 during such taxable year such determination shall be

1 made as of the time of such death.

2 (C) Blindness defined. For purposes of this
3 subsection, an individual is blind only if his or
4 her central visual acuity does not exceed 20/200 in
5 the better eye with correcting lenses, or if his or
6 her visual acuity is greater than 20/200 but is
7 accompanied by a limitation in the fields of vision
8 such that the widest diameter of the visual fields
9 subtends an angle no greater than 20 degrees.

10 (e) Cross reference. See Article 3 for the manner of
11 determining base income allocable to this State.

12 (f) Application of Section 250. Section 250 does not
13 apply to the amendments to this Section made by Public Act
14 90-613.

15 (Source: P.A. 90-613, eff. 7-9-98; 91-357, eff. 7-29-99.)

16 (35 ILCS 5/207) (from Ch. 120, par. 2-207)

17 Sec. 207. Net Losses.

18 (a) If after applying all of the modifications provided
19 for in paragraph (2) of Section 203(b), paragraph (2) of
20 Section 203(c) and paragraph (2) of Section 203(d) and the
21 allocation and apportionment provisions of Article 3 of this
22 Act, the taxpayer's net income results in a loss;

23 (1) for any taxable year ending prior to December
24 31, 1999, such loss shall be allowed as a carryover or
25 carryback deduction in the manner allowed under Section
26 172 of the Internal Revenue Code; and

27 (2) for any taxable year ending on or after
28 December 31, 1999 and prior to December 31, 2003, such
29 loss shall be allowed as a carryback to each of the 2
30 taxable years preceding the taxable year of such loss and
31 shall be a net operating carryover to each of the 20
32 taxable years following the taxable year of such loss;
33 and

1 (3) for any taxable year ending on or after
2 December 31, 2003, such loss shall be allowed as a net
3 operating carryover to each of the 5 taxable years
4 following the taxable year of such loss.

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

7 (A) For losses incurred in tax years ending
8 prior to December 31, 2003, the taxpayer may elect
9 to relinquish the entire carryback period with
10 respect to such loss. Such election shall be made
11 in the form and manner prescribed by the Department
12 and shall be made by the due date (including
13 extensions of time) for filing the taxpayer's return
14 for the taxable year in which such loss is incurred,
15 and such election, once made, shall be irrevocable.

16 (B) The entire amount of such loss shall be
17 carried to the earliest taxable year to which such
18 loss may be carried. The amount of such loss which
19 shall be carried to each of the other taxable years
20 shall be the excess, if any, of the amount of such
21 loss over the sum of the deductions for carryback or
22 carryover of such loss allowable for each of the
23 prior taxable years to which such loss may be
24 carried.

25 (b) Any loss determined under subsection (a) of this
26 Section must be carried back or carried forward in the same
27 manner for purposes of subsections (a) and (b) of Section 201
28 of this Act as for purposes of subsections (c) and (d) of
29 Section 201 of this Act.

30 (Source: P.A. 91-541, eff. 8-13-99.)

31 Section 10. The Illinois Insurance Code is amended by
32 changing Section 531.13 as follows:

1 (215 ILCS 5/531.13) (from Ch. 73, par. 1065.80-13)

2 Sec. 531.13. Tax offset. In the event the aggregate
3 Class A, B and C assessments for all member insurers do not
4 exceed \$3,000,000 in any one calendar year, no member insurer
5 shall receive a tax offset. However, for any one calendar
6 year before 1998 in which the total of such assessments
7 exceeds \$3,000,000, the amount in excess of \$3,000,000 shall
8 be subject to a tax offset to the extent of 20% of the amount
9 of such assessment for each of the 5 calendar years following
10 the year in which such assessment was paid, and ending prior
11 to January 1, 2003, and each member insurer may offset the
12 proportionate amount of such excess paid by the insurer
13 against its liabilities for the tax imposed by subsections
14 (a) and (b) of Section 201 of the Illinois Income Tax Act.
15 The provisions of this Section shall expire and be given no
16 effect for any tax period commencing on and after January 1,
17 2003.

18 (Source: P.A. 90-583, eff. 5-29-98.)

19 Section 15. The Health Maintenance Organization Act is
20 amended by changing Section 6-13 as follows:

21 (215 ILCS 125/6-13) (from Ch. 111 1/2, par. 1418.13)

22 Sec. 6-13. Tax offset. In the event the aggregate Class
23 A and B assessments for all member organizations do not
24 exceed \$3,000,000 in any one calendar year, no member
25 organization shall receive a tax offset. However, in any one
26 calendar year in which the total of such assessments exceeds
27 \$3,000,000, the amount in excess of \$3,000,000 shall be
28 subject to a tax offset to the extent of 20% of the amount of
29 such assessment for each of the five calendar years following
30 the year in which such assessment was paid, and ending prior
31 to January 1, 2003, and each member organization may offset
32 the proportionate amount of such excess paid by the

1 organization against its liabilities for the tax imposed by
2 subsections (a) and (b) of Section 201 of the Illinois Income
3 Tax Act. The provisions of this Section shall expire and be
4 given no effect on and after January 1, 2004.

5 (Source: P.A. 85-20.)

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