



## 97TH GENERAL ASSEMBLY

### State of Illinois

### 2011 and 2012

### SB1932

Introduced 2/10/2011, by Sen. Matt Murphy

#### SYNOPSIS AS INTRODUCED:

New Act

35 ILCS 5/203

105 ILCS 5/18-8.05

from Ch. 120, par. 2-203

Amends the School Code. Creates the Illinois School Choice Program, which shall be administered by the State Board of Education. Provides that any State-certified, non-public school wishing to enroll eligible students and be reimbursed for vouchers available under specified provisions shall notify the State Board of Education in writing of its intent. Specifies the eligibility for reimbursement of vouchers. Specifies reporting requirements for non-public schools that are participating in the Program. Contains provisions concerning the calculation of vouchers and how they may be used by parents. Contains provisions concerning the verification of the household income of participating parents. Provides that the total cost of the vouchers shall come from the portion of general State aid City of Chicago School District 299 receives under the State aid formula for that fiscal year. Provides that the State Board of Education may adopt rules for administration of the Program. Provides that, for purposes of the Act, students receiving a voucher are considered nonpublic school students who have been voluntarily placed in a private setting by the parent or guardian. Makes other changes. Amends the State Finance Act to create the School Choice Fund as a special fund in the State treasury and provides that permitted fees collected by the State Board of Education shall be deposited into the Fund and shall be used by the State Board of Education to cover the administrative costs of the Program. Effective June 30, 2011.

LRB097 09917 NHT 50080 b

FISCAL NOTE ACT  
MAY APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT concerning education.

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 School  
5 Choice Act.

6 Section 5. Findings and declaration of policy. The General  
7 Assembly finds and declares the following:

8 (1) There is a crisis in the elementary and secondary  
9 education programs in Chicago and elsewhere in Illinois.  
10 Many schools and their pupils are performing significantly  
11 below relevant national standards and are unable to access  
12 functions of federal and State law designed to improve  
13 their performance. Consequently, many pupils are dropping  
14 out of school before completing the ordinary course of  
15 secondary education or are leaving school without the basic  
16 skills and knowledge that will enable them to find and hold  
17 a job or otherwise become functioning, productive members  
18 of our society.

19 (2) Within Chicago and elsewhere in Illinois there are  
20 many public and nonpublic schools and independent  
21 education services competently and efficiently educating  
22 or contributing to the education of children. Most pupils  
23 in those schools or receiving those services perform at or

1 above relevant national standards, complete their  
2 secondary education, and matriculate to institutions of  
3 higher education at an extremely high rate. These services  
4 and schools should be accessible to all and should enjoy a  
5 cooperative relationship with public school districts,  
6 schools, and employees of this State.

7 (3) Custodians of school age children in Chicago and  
8 elsewhere in Illinois are frequently unable to enroll their  
9 children in schools that will provide them a quality  
10 education due to a lack of funds.

11 (4) Adopting a pilot school choice program for students  
12 enrolled in the lowest performing schools in Chicago, with  
13 the potential to expand elsewhere in Illinois, would enable  
14 parents to select schools or services they believe will  
15 provide a quality education for their children, empower  
16 them to influence the educational policies and procedures  
17 in the schools their children attend, and provide them with  
18 at least a portion of the funds necessary to pay for a  
19 quality education. Such a program would help alleviate the  
20 crisis in the Chicago school system, assist Chicago  
21 children in becoming productive members of society, and  
22 test a new approach to education that could be expanded to  
23 the rest of the State.

24 (5) The provisions of this Act are in the public  
25 interest, for the public benefit, and serve a secular  
26 public purpose.

1 Section 10. Definitions. As used in this Act:

2 "Base year" means the 2010-2011 school year.

3 "Custodian" means, with respect to a qualifying pupil, a  
4 parent or legal guardian who is a resident of the City of  
5 Chicago.

6 "Low-performing school" means a school in City of Chicago  
7 School District 299 that enrolls students in any of grades  
8 kindergarten through 8 and that is ranked within the lowest 10%  
9 of schools in that district in terms of the percentage of  
10 students meeting or exceeding standards on the Illinois  
11 Standards Achievement Test.

12 "Nonpublic school" means any State-recognized, nonpublic  
13 elementary school in the City of Chicago that elects to  
14 participate in the school choice program established under this  
15 Act and does not discriminate on the basis of race, color, or  
16 national origin under Title VI of the Civil Rights Act of 1964  
17 and attendance at which satisfies the requirements of Section  
18 26-1 of the School Code, except that nothing in Section 26-1  
19 shall be construed to require a child to attend any particular  
20 nonpublic school.

21 "Overcrowded school" means a school in City of Chicago  
22 School District 299 that (i) enrolls students in any of grades  
23 kindergarten through 8, (ii) has a percentage of low-income  
24 students of 70% or more, as identified in the most recently  
25 available School Report Card published by the State Board of

1 Education, and (iii) is determined by the Chicago Board of  
2 Education to be in the most severely overcrowded 5% of schools  
3 in the district. On or before November 1 of each year, the  
4 Chicago Board of Education shall file a report with the State  
5 Board of Education on which schools in the district meet the  
6 definition of "overcrowded school".

7 "Qualified education expenses" means costs reasonably  
8 incurred on behalf of a qualifying pupil for the services of a  
9 participating nonpublic school in which the qualifying pupil is  
10 enrolled during the regular school year. Qualified education  
11 expenses does not include costs incurred for supplies or  
12 extra-curricular activities.

13 "Qualifying pupil" means an individual who:

14 (1) is a resident of the City of Chicago;

15 (2) is enrolled in any of grades kindergarten through 7  
16 in a low-performing school or an overcrowded school or  
17 would enter kindergarten in a low-performing school or  
18 overcrowded school during the school year for which a  
19 voucher is sought; and

20 (3) during the school year for which a voucher is  
21 sought, is a full-time pupil enrolled in a kindergarten  
22 through 8th grade education program.

23 "School Choice Voucher" means a written instrument issued  
24 by the State Board of Education directly to the custodian of a  
25 qualifying pupil.

26 The custodian may present the instrument only to a

1 participating nonpublic school as payment for qualified  
2 education expenses incurred on behalf of the qualifying pupil.

3 Section 15. Establishment of program. There is established  
4 the School Choice Program. Under the program, after the base  
5 year, a custodian of a qualifying pupil shall be entitled to a  
6 School Choice Voucher at any participating nonpublic school in  
7 which the qualifying pupil is enrolled. A qualifying pupil  
8 shall be entitled to enroll at and attend any participating  
9 nonpublic school of his or her choice.

10 Section 20. Notification of vouchers. The principal of each  
11 low-performing school and of each overcrowded school in City of  
12 Chicago School District 299 shall notify custodians of  
13 qualifying pupils that vouchers under this Act are available  
14 for the next school year. Notification shall occur in January  
15 of each school year beginning with the base year.

16 Section 25. Request for voucher. A custodian who applies in  
17 accordance with procedures established by the State Board of  
18 Education shall receive a voucher for each qualifying pupil  
19 enrolled in a nonpublic school under this Act within the dollar  
20 limits set out in Section 35 of this Act. The procedure shall  
21 require application for the voucher, with documentation as to  
22 eligibility, between March 1 and May 1 prior to the school year  
23 in which the voucher is to be used.

1           Section 30. Issuance and payment of voucher. A voucher may  
2 only be issued to a custodian who has made proper application  
3 pursuant to Section 25 of this Act. The custodian shall present  
4 the voucher for each qualifying pupil to a participating  
5 nonpublic school of his or her choice as payment for qualified  
6 education expenses. Upon presentment, the State Board of  
7 Education shall honor the voucher and, as issuer of the  
8 instrument, pay the participating nonpublic school in  
9 accordance with procedures established by the State Board of  
10 Education. The procedures shall require all of the following:

11           (1) that the applying custodian be notified of the  
12 voucher award by August 1 of the school year in which the  
13 voucher is to be used;

14           (2) that the voucher instrument be issued to the  
15 custodian no later than September 15 of the school year in  
16 which the voucher is to be used;

17           (3) that the custodian present the voucher instrument  
18 to the participating school no later than October 1 of the  
19 school year in which the voucher is to be used;

20           (4) that the participating school present the voucher  
21 instrument, with proof of service to the custodian of the  
22 qualifying pupil, to the State Board of Education no later  
23 than October 31 of the school year in which the voucher is  
24 to be used;

25           (5) that the State Board of Education shall honor the

1 voucher instrument and as issuer pay the participating  
2 school no later than December 31 of the school year in  
3 which the voucher is to be used;

4 (6) that participating schools must not be required to  
5 accept vouchers as full payment for services but neither  
6 shall they charge voucher pupils tuition or any other  
7 educational expenses at a higher rate than other pupils;  
8 and

9 (7) that if a student attending a nonpublic school  
10 under the School Choice Program is expelled or withdraws  
11 from the nonpublic school or moves out of the boundaries of  
12 City of Chicago School District 299 before the State Board  
13 of Education has honored the voucher of the school, then  
14 the State Board of Education shall pay the corresponding  
15 prorated portion of the voucher amount to the nonpublic  
16 school; and that if the State Board of Education has paid  
17 the voucher amount to the nonpublic school and the pupil is  
18 expelled, withdraws, or moves out of the boundaries of City  
19 of Chicago School District 299, then the nonpublic school  
20 shall refund the corresponding prorated portion of the  
21 voucher to the State Board of Education. Any funds returned  
22 to the State Board of Education must be distributed via the  
23 general State aid claim to City of Chicago School District  
24 299.

25 Section 35. Amount of voucher. A School Choice Voucher for



1 qualified education expenses incurred through participating  
2 schools during any school year after the base year shall be for  
3 the lesser of (i) the amount of the portion of the foundation  
4 level of support, on a per pupil basis, funded by the State  
5 pursuant to subsection (B) of Section 18-8.05 of the School  
6 Code for the previous fiscal year, plus the amount equal to the  
7 total supplemental general State aid grant awarded to City of  
8 Chicago School District 299 pursuant to subsection (H) of  
9 Section 18-8.05 of the School Code for the previous fiscal year  
10 divided by the total average daily attendance used in the  
11 calculation of general State aid for City of Chicago School  
12 District 299 for the previous fiscal year or (ii) the actual  
13 qualified education expenses related to the qualifying pupil's  
14 enrollment.

15 Section 40. Renewal of voucher. School Choice Vouchers  
16 shall be renewable every year through grade 8 so long as the  
17 pupil continues to reside in the City of Chicago and the  
18 recognized nonpublic school elects to continue participating  
19 in the School Choice Program.

20 Section 45. Assessment. All pupils receiving services  
21 obtained through School Choice Vouchers shall be assessed  
22 annually in the same manner as Illinois' public school  
23 students. The State Board of Education may adopt rules with  
24 respect to the assessment of such pupils, which may include,

1 but is not limited to, rules pertaining to test security, test  
2 administration and location, and reporting procedures.

3 Section 50. Longitudinal data system. Recognized nonpublic  
4 schools participating in this Act must participate in the  
5 longitudinal data system established under the P-20  
6 Longitudinal Education Data System Act by disclosing data to  
7 the State Board of Education for those students attending a  
8 nonpublic school on a School Choice Voucher issued under this  
9 Act.

10 Section 51. Funding. Nonpublic schools participating in  
11 the School Choice Program must report the attendance of  
12 students with School Choice Vouchers to City of Chicago School  
13 District 299 in the manner requested by the district. Students  
14 enrolled in nonpublic schools under a School Choice Voucher  
15 shall not be considered enrolled in City of Chicago School  
16 District 299 for any purpose.

17 Section 52. Nonpublic school student. For the purposes of  
18 this Act, students receiving a School Choice Voucher are  
19 considered nonpublic school students who have been voluntarily  
20 placed in a private setting by the parent or guardian.

21 Section 55. Not base income. The amount of any voucher  
22 redeemed under this Act shall not be considered base income

1 under subsection (a) of Section 203 of the Illinois Income Tax  
2 Act and shall not be taxable for Illinois income tax purposes.

3 Section 60. Report and expansion. On or before December 31,  
4 2015, the State Board of Education shall submit a report to the  
5 General Assembly reviewing the current status of the program  
6 operating under this Act. This report shall include, but not be  
7 limited to, the numbers of qualifying pupils receiving each  
8 School Choice Voucher, the names of the schools from which and  
9 to which pupils transferred, the financial ramifications of the  
10 program, and the results of pupil assessments. In its report,  
11 the State Board of Education shall assess whether the program  
12 has been financially and academically beneficial and shall make  
13 a recommendation on whether the program should be expanded to  
14 other schools in the City of Chicago or to other areas of this  
15 State.

16 Section 65. Penalties. It shall be a Class 3 felony to use  
17 or attempt to use a voucher under this Act for any purpose  
18 other than those permitted by this Act. It shall also be a  
19 Class 3 felony for any person, with intent to defraud, to  
20 knowingly forge, alter, or misrepresent information on a  
21 voucher application or on any documents submitted in  
22 application for a voucher, to deliver any such document knowing  
23 it to have been thus forged, altered, or based on  
24 misrepresentation, or to possess, with intent to issue or

1 deliver, any such document knowing it to have been thus forged,  
2 altered, or based on misrepresentation.

3 Section 70. Rules. The State Board of Education shall adopt  
4 rules to implement this Act. The creation of the School Choice  
5 Program does not expand the regulatory authority of the State,  
6 its officers, or any school district to impose any additional  
7 regulation of nonpublic schools beyond those reasonably  
8 necessary to enforce the requirements of the program.

9 Section 900. The Illinois Income Tax Act is amended by  
10 changing Section 203 as follows:

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

12 Sec. 203. Base income defined.

13 (a) Individuals.

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

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

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

1 in the computation of adjusted gross income, except  
2 stock dividends of qualified public utilities  
3 described in Section 305(e) of the Internal Revenue  
4 Code;

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

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

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

25 (D-5) An amount, to the extent not included in  
26 adjusted gross income, equal to the amount of money

1           withdrawn by the taxpayer in the taxable year from a  
2           medical care savings account and the interest earned on  
3           the account in the taxable year of a withdrawal  
4           pursuant to subsection (b) of Section 20 of the Medical  
5           Care Savings Account Act or subsection (b) of Section  
6           20 of the Medical Care Savings Account Act of 2000;

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

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

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

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

1 federal income tax purposes and for which the taxpayer  
2 was allowed in any taxable year to make a subtraction  
3 modification under subparagraph (Z), then an amount  
4 equal to that subtraction modification.

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

8 (D-17) An amount equal to the amount otherwise  
9 allowed as a deduction in computing base income for  
10 interest paid, accrued, or incurred, directly or  
11 indirectly, (i) for taxable years ending on or after  
12 December 31, 2004, to a foreign person who would be a  
13 member of the same unitary business group but for the  
14 fact that foreign person's business activity outside  
15 the United States is 80% or more of the foreign  
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. The addition modification  
24 required by this subparagraph shall be reduced to the  
25 extent that dividends were included in base income of  
26 the unitary group for the same taxable year and

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

8 This paragraph shall not apply to the following:

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

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

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

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



1           pursuant to a contract or agreement that  
2           reflects an arm's-length interest rate and  
3           terms; or

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

10          (iv) an item of interest paid, accrued, or  
11          incurred, directly or indirectly, to a person if  
12          the taxpayer establishes by clear and convincing  
13          evidence that the adjustments are unreasonable; or  
14          if the taxpayer and the Director agree in writing  
15          to the application or use of an alternative method  
16          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-18) An amount equal to the amount of intangible

1 expenses and costs otherwise allowed as a deduction in  
2 computing base income, and that were paid, accrued, or  
3 incurred, directly or indirectly, (i) for taxable  
4 years ending on or after December 31, 2004, to a  
5 foreign person who would be a member of the same  
6 unitary business group but for the fact that the  
7 foreign person's business activity outside the United  
8 States is 80% or more of that person's total business  
9 activity and (ii) for taxable years ending on or after  
10 December 31, 2008, to a person who would be a member of  
11 the same unitary business group but for the fact that  
12 the person is prohibited under Section 1501(a)(27)  
13 from being included in the unitary business group  
14 because he or she is ordinarily required to apportion  
15 business income under different subsections of Section  
16 304. The addition modification required by this  
17 subparagraph shall be reduced to the extent that  
18 dividends were included in base income of the unitary  
19 group for the same taxable year and received by the  
20 taxpayer or by a member of the taxpayer's unitary  
21 business group (including amounts included in gross  
22 income under Sections 951 through 964 of the Internal  
23 Revenue Code and amounts included in gross income under  
24 Section 78 of the Internal Revenue Code) with respect  
25 to the stock of the same person to whom the intangible  
26 expenses and costs were directly or indirectly paid,

1 incurred, or accrued. The preceding sentence does not  
2 apply to the extent that the same dividends caused a  
3 reduction to the addition modification required under  
4 Section 203(a)(2)(D-17) of this Act. As used in this  
5 subparagraph, the term "intangible expenses and costs"  
6 includes (1) expenses, losses, and costs for, or  
7 related to, the direct or indirect acquisition, use,  
8 maintenance or management, ownership, sale, exchange,  
9 or any other disposition of intangible property; (2)  
10 losses incurred, directly or indirectly, from  
11 factoring transactions or discounting transactions;  
12 (3) royalty, patent, technical, and copyright fees;  
13 (4) licensing fees; and (5) other similar expenses and  
14 costs. For purposes of this subparagraph, "intangible  
15 property" includes patents, patent applications, trade  
16 names, trademarks, service marks, copyrights, mask  
17 works, trade secrets, and similar types of intangible  
18 assets.

19 This paragraph shall not apply to the following:

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

1 (ii) any item of intangible expense or cost  
2 paid, accrued, or incurred, directly or  
3 indirectly, if the taxpayer can establish, based  
4 on a preponderance of the evidence, both of the  
5 following:

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

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

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

25 Nothing in this subsection shall preclude the  
26 Director from making any other adjustment

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

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

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

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

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

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

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

1 to an out-of-state program, an amount equal to the  
2 amount of moneys previously deducted from base income  
3 under subsection (a) (2) (Y) of this Section;

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

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

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

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



1 resident by reason of being on active duty in the Armed  
2 Forces of the United States and in respect of any  
3 compensation paid or accrued to a resident who as a  
4 governmental employee was a prisoner of war or missing  
5 in action, and in respect of any compensation paid to a  
6 resident in 1971 or thereafter for annual training  
7 performed pursuant to Sections 502 and 503, Title 32,  
8 United States Code as a member of the Illinois National  
9 Guard or, beginning with taxable years ending on or  
10 after December 31, 2007, the National Guard of any  
11 other state. For taxable years ending on or after  
12 December 31, 2001, any amount included in such total in  
13 respect of any compensation (including but not limited  
14 to any compensation paid or accrued to a serviceman  
15 while a prisoner of war or missing in action) paid to a  
16 resident by reason of being a member of any component  
17 of the Armed Forces of the United States and in respect  
18 of any compensation paid or accrued to a resident who  
19 as a governmental employee was a prisoner of war or  
20 missing in action, and in respect of any compensation  
21 paid to a resident in 2001 or thereafter by reason of  
22 being a member of the Illinois National Guard or,  
23 beginning with taxable years ending on or after  
24 December 31, 2007, the National Guard of any other  
25 state. The provisions of this amendatory Act of the  
26 92nd General Assembly are exempt from the provisions of

1 Section 250;

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

13 (G) The valuation limitation amount;

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

17 (I) An amount equal to all amounts included in such  
18 total pursuant to the provisions of Section 111 of the  
19 Internal Revenue Code as a recovery of items previously  
20 deducted from adjusted gross income in the computation  
21 of taxable income;

22 (J) An amount equal to those dividends included in  
23 such total which were paid by a corporation which  
24 conducts business operations in an Enterprise Zone or  
25 zones created under the Illinois Enterprise Zone Act or  
26 a River Edge Redevelopment Zone or zones created under

1 the River Edge Redevelopment Zone Act, and conducts  
2 substantially all of its operations in an Enterprise  
3 Zone or zones or a River Edge Redevelopment Zone or  
4 zones. This subparagraph (J) is exempt from the  
5 provisions of Section 250;

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

15 (L) For taxable years ending after December 31,  
16 1983, an amount equal to all social security benefits  
17 and railroad retirement benefits included in such  
18 total pursuant to Sections 72(r) and 86 of the Internal  
19 Revenue Code;

20 (M) With the exception of any amounts subtracted  
21 under subparagraph (N), an amount equal to the sum of  
22 all amounts disallowed as deductions by (i) Sections  
23 171(a) (2), and 265(2) of the Internal Revenue Code of  
24 1954, as now or hereafter amended, and all amounts of  
25 expenses allocable to interest and disallowed as  
26 deductions by Section 265(1) of the Internal Revenue

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

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

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

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

24 (Q) An amount equal to any amounts included in such  
25 total, received by the taxpayer as an acceleration in  
26 the payment of life, endowment or annuity benefits in

1 advance of the time they would otherwise be payable as  
2 an indemnity for a terminal illness;

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

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

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

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

26 (V) Beginning with tax years ending on or after

1 December 31, 1995 and ending with tax years ending on  
2 or before December 31, 2004, an amount equal to the  
3 amount paid by a taxpayer who is a self-employed  
4 taxpayer, a partner of a partnership, or a shareholder  
5 in a Subchapter S corporation for health insurance or  
6 long-term care insurance for that taxpayer or that  
7 taxpayer's spouse or dependents, to the extent that the  
8 amount paid for that health insurance or long-term care  
9 insurance may be deducted under Section 213 of the  
10 Internal Revenue Code of 1986, has not been deducted on  
11 the federal income tax return of the taxpayer, and does  
12 not exceed the taxable income attributable to that  
13 taxpayer's income, self-employment income, or  
14 Subchapter S corporation income; except that no  
15 deduction shall be allowed under this item (V) if the  
16 taxpayer is eligible to participate in any health  
17 insurance or long-term care insurance plan of an  
18 employer of the taxpayer or the taxpayer's spouse. The  
19 amount of the health insurance and long-term care  
20 insurance subtracted under this item (V) shall be  
21 determined by multiplying total health insurance and  
22 long-term care insurance premiums paid by the taxpayer  
23 times a number that represents the fractional  
24 percentage of eligible medical expenses under Section  
25 213 of the Internal Revenue Code of 1986 not actually  
26 deducted on the taxpayer's federal income tax return;

1           (W) For taxable years beginning on or after January  
2 1, 1998, all amounts included in the taxpayer's federal  
3 gross income in the taxable year from amounts converted  
4 from a regular IRA to a Roth IRA. This paragraph is  
5 exempt from the provisions of Section 250;

6           (X) For taxable year 1999 and thereafter, an amount  
7 equal to the amount of any (i) distributions, to the  
8 extent includible in gross income for federal income  
9 tax purposes, made to the taxpayer because of his or  
10 her status as a victim of persecution for racial or  
11 religious reasons by Nazi Germany or any other Axis  
12 regime or as an heir of the victim and (ii) items of  
13 income, to the extent includible in gross income for  
14 federal income tax purposes, attributable to, derived  
15 from or in any way related to assets stolen from,  
16 hidden from, or otherwise lost to a victim of  
17 persecution for racial or religious reasons by Nazi  
18 Germany or any other Axis regime immediately prior to,  
19 during, and immediately after World War II, including,  
20 but not limited to, interest on the proceeds receivable  
21 as insurance under policies issued to a victim of  
22 persecution for racial or religious reasons by Nazi  
23 Germany or any other Axis regime by European insurance  
24 companies immediately prior to and during World War II;  
25 provided, however, this subtraction from federal  
26 adjusted gross income does not apply to assets acquired

1 with such assets or with the proceeds from the sale of  
2 such assets; provided, further, this paragraph shall  
3 only apply to a taxpayer who was the first recipient of  
4 such assets after their recovery and who is a victim of  
5 persecution for racial or religious reasons by Nazi  
6 Germany or any other Axis regime or as an heir of the  
7 victim. The amount of and the eligibility for any  
8 public assistance, benefit, or similar entitlement is  
9 not affected by the inclusion of items (i) and (ii) of  
10 this paragraph in gross income for federal income tax  
11 purposes. This paragraph is exempt from the provisions  
12 of Section 250;

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



1 Internal Revenue Code shall not be considered moneys  
2 contributed under this subparagraph (Y). For purposes  
3 of this subparagraph, contributions made by an  
4 employer on behalf of an employee, or matching  
5 contributions made by an employee, shall be treated as  
6 made by the employee. This subparagraph (Y) is exempt  
7 from the provisions of Section 250;

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

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

21 (2) for taxable years ending on or before  
22 December 31, 2005, "x" equals "y" multiplied by 30  
23 and then divided by 70 (or "y" multiplied by  
24 0.429); and

25 (3) for taxable years ending after December  
26 31, 2005:

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

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

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

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

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

1 was required in any taxable year to make an addition  
2 modification under subparagraph (D-15), then an amount  
3 equal to that addition modification.

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

7 This subparagraph (AA) is exempt from the  
8 provisions of Section 250;

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

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

1 addition modification. This subparagraph (CC) is  
2 exempt from the provisions of Section 250;

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

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

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

18 (FF) An amount equal to any amount awarded to the  
19 taxpayer during the taxable year by the Court of Claims  
20 under subsection (c) of Section 8 of the Court of  
21 Claims Act for time unjustly served in a State prison.  
22 This subparagraph (FF) is exempt from the provisions of  
23 Section 250.

24 (GG) For taxable years ending on or after December  
25 31, 2011, an amount, to the extent that it is included  
26 in adjusted gross income, equal to any voucher redeemed

1           under the School Choice Act. This subparagraph is  
2           exempt from the provisions of Section 250.

3           (b) Corporations.

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

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

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

15           (B) 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           (C) In the case of a regulated investment company,  
19           an amount equal to the excess of (i) the net long-term  
20           capital gain for the taxable year, over (ii) the amount  
21           of the capital gain dividends designated as such in  
22           accordance with Section 852(b)(3)(C) of the Internal  
23           Revenue Code and any amount designated under Section  
24           852(b)(3)(D) of the Internal Revenue Code,  
25           attributable to the taxable year (this amendatory Act

1 of 1995 (Public Act 89-89) is declarative of existing  
2 law and is not a new enactment);

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

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

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

25 (ii) the addition modification relating to the  
26 net operating loss carried back or forward to the

1 taxable year from any taxable year ending prior to  
2 December 31, 1986 shall not exceed the amount of  
3 such carryback or carryforward;

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

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

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

21 (E-11) If the taxpayer sells, transfers, abandons,  
22 or otherwise disposes of property for which the  
23 taxpayer was required in any taxable year to make an  
24 addition modification under subparagraph (E-10), then  
25 an amount equal to the aggregate amount of the  
26 deductions taken in all taxable years under



1           subparagraph (T) with respect to that property.

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

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

12          (E-12) An amount equal to the amount otherwise  
13          allowed as a deduction in computing base income for  
14          interest paid, accrued, or incurred, directly or  
15          indirectly, (i) for taxable years ending on or after  
16          December 31, 2004, to a foreign person who would be a  
17          member of the same unitary business group but for the  
18          fact the foreign person's business activity outside  
19          the United States is 80% or more of the foreign  
20          person's total business activity and (ii) for taxable  
21          years ending on or after December 31, 2008, to a person  
22          who would be a member of the same unitary business  
23          group but for the fact that the person is prohibited  
24          under Section 1501(a)(27) from being included in the  
25          unitary business group because he or she is ordinarily  
26          required to apportion business income under different

1 subsections of Section 304. The addition modification  
2 required by this subparagraph shall be reduced to the  
3 extent that dividends were included in base income of  
4 the unitary group for the same taxable year and  
5 received by the taxpayer or by a member of the  
6 taxpayer's unitary business group (including amounts  
7 included in gross income pursuant to Sections 951  
8 through 964 of the Internal Revenue Code and amounts  
9 included in gross income under Section 78 of the  
10 Internal Revenue Code) with respect to the stock of the  
11 same person to whom the interest was paid, accrued, or  
12 incurred.

13 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

22 Nothing in this subsection shall preclude the  
23 Director from making any other adjustment  
24 otherwise allowed under Section 404 of this Act for  
25 any tax year beginning after the effective date of  
26 this amendment provided such adjustment is made

1           pursuant to regulation adopted by the Department  
2           and such regulations provide methods and standards  
3           by which the Department will utilize its authority  
4           under Section 404 of this Act;

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

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

24 This paragraph shall not apply to the following:

25 (i) any item of intangible expenses or costs  
26 paid, accrued, or incurred, directly or

1 indirectly, from a transaction with a person who is  
2 subject in a foreign country or state, other than a  
3 state which requires mandatory unitary reporting,  
4 to a tax on or measured by net income with respect  
5 to such item; or

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

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

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

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

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

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

13 (E-15) For taxable years beginning after December  
14 31, 2008, any deduction for dividends paid by a captive  
15 real estate investment trust that is allowed to a real  
16 estate investment trust under Section 857(b) (2) (B) of  
17 the Internal Revenue Code for dividends paid;

18 (E-16) An amount equal to the credit allowable to  
19 the taxpayer under Section 218(a) of this Act,  
20 determined without regard to Section 218(c) of this  
21 Act;

22 and by deducting from the total so obtained the sum of the  
23 following amounts:

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



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

3 (H) In the case of a regulated investment company,  
4 an amount equal to the amount of exempt interest  
5 dividends as defined in subsection (b) (5) of Section  
6 852 of the Internal Revenue Code, paid to shareholders  
7 for the taxable year;

8 (I) With the exception of any amounts subtracted  
9 under subparagraph (J), an amount equal to the sum of  
10 all amounts disallowed as deductions by (i) Sections  
11 171(a) (2), and 265(a)(2) and amounts disallowed as  
12 interest expense by Section 291(a)(3) of the Internal  
13 Revenue Code, as now or hereafter amended, and all  
14 amounts of expenses allocable to interest and  
15 disallowed as deductions by Section 265(a)(1) of the  
16 Internal Revenue Code, as now or hereafter amended; and  
17 (ii) for taxable years ending on or after August 13,  
18 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
19 832(b)(5)(B)(i) of the Internal Revenue Code; the  
20 provisions of this subparagraph are exempt from the  
21 provisions of Section 250;

22 (J) An amount equal to all amounts included in such  
23 total which are exempt from taxation by this State  
24 either by reason of its statutes or Constitution or by  
25 reason of the Constitution, treaties or statutes of the  
26 United States; provided that, in the case of any

1 statute of this State that exempts income derived from  
2 bonds or other obligations from the tax imposed under  
3 this Act, the amount exempted shall be the interest net  
4 of bond premium amortization;

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

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

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

1 income from a loan or loans made by such taxpayer to a  
2 borrower, to the extent that such a loan is secured by  
3 property which is eligible for the Enterprise Zone  
4 Investment Credit or the River Edge Redevelopment Zone  
5 Investment Credit. To determine the portion of a loan  
6 or loans that is secured by property eligible for a  
7 Section 201(f) investment credit to the borrower, the  
8 entire principal amount of the loan or loans between  
9 the taxpayer and the borrower should be divided into  
10 the basis of the Section 201(f) investment credit  
11 property which secures the loan or loans, using for  
12 this purpose the original basis of such property on the  
13 date that it was placed in service in the Enterprise  
14 Zone or the River Edge Redevelopment Zone. The  
15 subtraction modification available to taxpayer in any  
16 year under this subsection shall be that portion of the  
17 total interest paid by the borrower with respect to  
18 such loan attributable to the eligible property as  
19 calculated under the previous sentence. This  
20 subparagraph (M) is exempt from the provisions of  
21 Section 250;

22 (M-1) For any taxpayer that is a financial  
23 organization within the meaning of Section 304(c) of  
24 this Act, an amount included in such total as interest  
25 income from a loan or loans made by such taxpayer to a  
26 borrower, to the extent that such a loan is secured by

1 property which is eligible for the High Impact Business  
2 Investment Credit. To determine the portion of a loan  
3 or loans that is secured by property eligible for a  
4 Section 201(h) investment credit to the borrower, the  
5 entire principal amount of the loan or loans between  
6 the taxpayer and the borrower should be divided into  
7 the basis of the Section 201(h) investment credit  
8 property which secures the loan or loans, using for  
9 this purpose the original basis of such property on the  
10 date that it was placed in service in a federally  
11 designated Foreign Trade Zone or Sub-Zone located in  
12 Illinois. No taxpayer that is eligible for the  
13 deduction provided in subparagraph (M) of paragraph  
14 (2) of this subsection shall be eligible for the  
15 deduction provided under this subparagraph (M-1). The  
16 subtraction modification available to taxpayers in any  
17 year under this subsection shall be that portion of the  
18 total interest paid by the borrower with respect to  
19 such loan attributable to the eligible property as  
20 calculated under the previous sentence;

21 (N) Two times any contribution made during the  
22 taxable year to a designated zone organization to the  
23 extent that the contribution (i) qualifies as a  
24 charitable contribution under subsection (c) of  
25 Section 170 of the Internal Revenue Code and (ii) must,  
26 by its terms, be used for a project approved by the

1 Department of Commerce and Economic Opportunity under  
2 Section 11 of the Illinois Enterprise Zone Act or under  
3 Section 10-10 of the River Edge Redevelopment Zone Act.  
4 This subparagraph (N) is exempt from the provisions of  
5 Section 250;

6 (O) An amount equal to: (i) 85% for taxable years  
7 ending on or before December 31, 1992, or, a percentage  
8 equal to the percentage allowable under Section  
9 243(a)(1) of the Internal Revenue Code of 1986 for  
10 taxable years ending after December 31, 1992, of the  
11 amount by which dividends included in taxable income  
12 and received from a corporation that is not created or  
13 organized under the laws of the United States or any  
14 state or political subdivision thereof, including, for  
15 taxable years ending on or after December 31, 1988,  
16 dividends received or deemed received or paid or deemed  
17 paid under Sections 951 through 964 of the Internal  
18 Revenue Code, exceed the amount of the modification  
19 provided under subparagraph (G) of paragraph (2) of  
20 this subsection (b) which is related to such dividends,  
21 and including, for taxable years ending on or after  
22 December 31, 2008, dividends received from a captive  
23 real estate investment trust; plus (ii) 100% of the  
24 amount by which dividends, included in taxable income  
25 and received, including, for taxable years ending on or  
26 after December 31, 1988, dividends received or deemed

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

14 (P) An amount equal to any contribution made to a  
15 job training project established pursuant to the Tax  
16 Increment Allocation Redevelopment Act;

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

22 (R) On and after July 20, 1999, in the case of an  
23 attorney-in-fact with respect to whom an interinsurer  
24 or a reciprocal insurer has made the election under  
25 Section 835 of the Internal Revenue Code, 26 U.S.C.  
26 835, an amount equal to the excess, if any, of the

1 amounts paid or incurred by that interinsurer or  
2 reciprocal insurer in the taxable year to the  
3 attorney-in-fact over the deduction allowed to that  
4 interinsurer or reciprocal insurer with respect to the  
5 attorney-in-fact under Section 835(b) of the Internal  
6 Revenue Code for the taxable year; the provisions of  
7 this subparagraph are exempt from the provisions of  
8 Section 250;

9 (S) For taxable years ending on or after December  
10 31, 1997, in the case of a Subchapter S corporation, an  
11 amount equal to all amounts of income allocable to a  
12 shareholder subject to the Personal Property Tax  
13 Replacement Income Tax imposed by subsections (c) and  
14 (d) of Section 201 of this Act, including amounts  
15 allocable to organizations exempt from federal income  
16 tax by reason of Section 501(a) of the Internal Revenue  
17 Code. This subparagraph (S) is exempt from the  
18 provisions of Section 250;

19 (T) For taxable years 2001 and thereafter, for the  
20 taxable year in which the bonus depreciation deduction  
21 is taken on the taxpayer's federal income tax return  
22 under subsection (k) of Section 168 of the Internal  
23 Revenue Code and for each applicable taxable year  
24 thereafter, an amount equal to "x", where:

25 (1) "y" equals the amount of the depreciation  
26 deduction taken for the taxable year on the

1 taxpayer's federal income tax return on property  
2 for which the bonus depreciation deduction was  
3 taken in any year under subsection (k) of Section  
4 168 of the Internal Revenue Code, but not including  
5 the bonus depreciation deduction;

6 (2) for taxable years ending on or before  
7 December 31, 2005, "x" equals "y" multiplied by 30  
8 and then divided by 70 (or "y" multiplied by  
9 0.429); and

10 (3) for taxable years ending after December  
11 31, 2005:

12 (i) for property on which a bonus  
13 depreciation deduction of 30% of the adjusted  
14 basis was taken, "x" equals "y" multiplied by  
15 30 and then divided by 70 (or "y" multiplied by  
16 0.429); and

17 (ii) for property on which a bonus  
18 depreciation deduction of 50% of the adjusted  
19 basis was taken, "x" equals "y" multiplied by  
20 1.0.

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



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

3           (U) If the taxpayer sells, transfers, abandons, or  
4           otherwise disposes of property for which the taxpayer  
5           was required in any taxable year to make an addition  
6           modification under subparagraph (E-10), then an amount  
7           equal to that addition modification.

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

15          The taxpayer is allowed to take the deduction under  
16          this subparagraph only once with respect to any one  
17          piece of property.

18          This subparagraph (U) is exempt from the  
19          provisions of Section 250;

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

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

19 (W) An amount equal to the interest income taken  
20 into account for the taxable year (net of the  
21 deductions allocable thereto) with respect to  
22 transactions with (i) a foreign person who would be a  
23 member of the taxpayer's unitary business group but for  
24 the fact that the foreign person's business activity  
25 outside the United States is 80% or more of that  
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person  
2 who would be a member of the same unitary business  
3 group but for the fact that the person is prohibited  
4 under Section 1501(a)(27) from being included in the  
5 unitary business group because he or she is ordinarily  
6 required to apportion business income under different  
7 subsections of Section 304, but not to exceed the  
8 addition modification required to be made for the same  
9 taxable year under Section 203(b)(2)(E-12) for  
10 interest paid, accrued, or incurred, directly or  
11 indirectly, to the same person. This subparagraph (W)  
12 is exempt from the provisions of Section 250; and

13 (X) An amount equal to the income from intangible  
14 property taken into account for the taxable year (net  
15 of the deductions allocable thereto) with respect to  
16 transactions with (i) a foreign person who would be a  
17 member of the taxpayer's unitary business group but for  
18 the fact that the foreign person's business activity  
19 outside the United States is 80% or more of that  
20 person's total business activity and (ii) for taxable  
21 years ending on or after December 31, 2008, to a person  
22 who would be a member of the same unitary business  
23 group but for the fact that the person is prohibited  
24 under Section 1501(a)(27) from being included in the  
25 unitary business group because he or she is ordinarily  
26 required to apportion business income under different

1 subsections of Section 304, but not to exceed the  
2 addition modification required to be made for the same  
3 taxable year under Section 203(b)(2)(E-13) for  
4 intangible expenses and costs paid, accrued, or  
5 incurred, directly or indirectly, to the same foreign  
6 person. This subparagraph (X) is exempt from the  
7 provisions of Section 250.

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

12 (c) Trusts and estates.

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

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

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

24 (B) In the case of (i) an estate, \$600; (ii) a  
25 trust which, under its governing instrument, is

1 required to distribute all of its income currently,  
2 \$300; and (iii) any other trust, \$100, but in each such  
3 case, only to the extent such amount was deducted in  
4 the computation of taxable income;

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

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

12 (E) For taxable years in which a net operating 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 than  
18 those provided by this subparagraph (E) exceeded  
19 subtraction modifications in such taxable year, with  
20 the following limitations applied in the order that  
21 they are listed:

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

1           which related to that net operating loss and which  
2           was taken into account in calculating the base  
3           income of an earlier taxable year, and

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

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

16                   (F) For taxable years ending on or after January 1,  
17          1989, an amount equal to the tax deducted pursuant to  
18          Section 164 of the Internal Revenue Code if the trust  
19          or estate is claiming the same tax for purposes of the  
20          Illinois foreign tax credit under Section 601 of this  
21          Act;

22                   (G) An amount equal to the amount of the capital  
23          gain deduction allowable under the Internal Revenue  
24          Code, to the extent deducted from gross income in the  
25          computation of taxable income;

26                   (G-5) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation costs  
2 that the trust or estate deducted in computing adjusted  
3 gross income and for which the trust or estate claims a  
4 credit under subsection (l) of Section 201;

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

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

17 If the taxpayer continues to own property through  
18 the last day of the last tax year for which the  
19 taxpayer may claim a depreciation deduction for  
20 federal income tax purposes and for which the taxpayer  
21 was allowed in any taxable year to make a subtraction  
22 modification under subparagraph (R), 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;

1 (G-12) An amount equal to the amount otherwise  
2 allowed as a deduction in computing base income for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, (i) for taxable years ending on or after  
5 December 31, 2004, to a foreign person who would be a  
6 member of the same unitary business group but for the  
7 fact that the foreign person's business activity  
8 outside the United States is 80% or more of the foreign  
9 person's total business activity and (ii) for taxable  
10 years ending on or after December 31, 2008, to a person  
11 who would be a member of the same unitary business  
12 group but for the fact that the person is prohibited  
13 under Section 1501(a)(27) from being included in the  
14 unitary business group because he or she is ordinarily  
15 required to apportion business income under different  
16 subsections of Section 304. The addition modification  
17 required by this subparagraph shall be reduced to the  
18 extent that dividends were included in base income of  
19 the unitary group for the same taxable year and  
20 received by the taxpayer or by a member of the  
21 taxpayer's unitary business group (including amounts  
22 included in gross income pursuant to Sections 951  
23 through 964 of the Internal Revenue Code and amounts  
24 included in gross income under Section 78 of the  
25 Internal Revenue Code) with respect to the stock of the  
26 same person to whom the interest was paid, accrued, or



1 incurred.

2 This paragraph shall not apply to the following:

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

9 (ii) an item of interest paid, accrued, or  
10 incurred, directly or indirectly, to a person if  
11 the taxpayer can establish, based on a  
12 preponderance of the evidence, both of the  
13 following:

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

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

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

1 agreement entered into at arm's-length rates and  
2 terms and the principal purpose for the payment is  
3 not federal or Illinois tax avoidance; or

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

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

20 (G-13) An amount equal to the amount of intangible  
21 expenses and costs otherwise allowed as a deduction in  
22 computing base income, and that were paid, accrued, or  
23 incurred, directly or indirectly, (i) for taxable  
24 years ending on or after December 31, 2004, to a  
25 foreign person who would be a member of the same  
26 unitary business group but for the fact that the

1 foreign person's business activity outside the United  
2 States is 80% or more of that person's total business  
3 activity and (ii) for taxable years ending on or after  
4 December 31, 2008, to a person who would be a member of  
5 the same unitary business group but for the fact that  
6 the person is prohibited under Section 1501(a)(27)  
7 from being included in the unitary business group  
8 because he or she is ordinarily required to apportion  
9 business income under different subsections of Section  
10 304. The addition modification required by this  
11 subparagraph shall be reduced to the extent that  
12 dividends were included in base income of the unitary  
13 group for the same taxable year and received by the  
14 taxpayer or by a member of the taxpayer's unitary  
15 business group (including amounts included in gross  
16 income pursuant to Sections 951 through 964 of the  
17 Internal Revenue Code and amounts included in gross  
18 income under Section 78 of the Internal Revenue Code)  
19 with respect to the stock of the same person to whom  
20 the intangible expenses and costs were directly or  
21 indirectly paid, incurred, or accrued. The preceding  
22 sentence shall not apply to the extent that the same  
23 dividends caused a reduction to the addition  
24 modification required under Section 203(c)(2)(G-12) of  
25 this Act. As used in this subparagraph, the term  
26 "intangible expenses and costs" includes: (1)

1 expenses, losses, and costs for or related to the  
2 direct or indirect acquisition, use, maintenance or  
3 management, ownership, sale, exchange, or any other  
4 disposition of intangible property; (2) losses  
5 incurred, directly or indirectly, from factoring  
6 transactions or discounting transactions; (3) royalty,  
7 patent, technical, and copyright fees; (4) licensing  
8 fees; and (5) other similar expenses and costs. For  
9 purposes of this subparagraph, "intangible property"  
10 includes patents, patent applications, trade names,  
11 trademarks, service marks, copyrights, mask works,  
12 trade secrets, and similar types of intangible assets.

13 This paragraph shall not apply to the following:

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

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

26 (a) the person during the same taxable

1 year paid, accrued, or incurred, the  
2 intangible expense or cost to a person that is  
3 not a related member, and

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

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

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

1 under Section 404 of this Act;

2 (G-14) For taxable years ending on or after  
3 December 31, 2008, an amount equal to the amount of  
4 insurance premium expenses and costs otherwise allowed  
5 as a deduction in computing base income, and that were  
6 paid, accrued, or incurred, directly or indirectly, to  
7 a person who would be a member of the same unitary  
8 business group but for the fact that the person is  
9 prohibited under Section 1501(a)(27) from being  
10 included in the unitary business group because he or  
11 she is ordinarily required to apportion business  
12 income under different subsections of Section 304. The  
13 addition modification required by this subparagraph  
14 shall be reduced to the extent that dividends were  
15 included in base income of the unitary group for the  
16 same taxable year and received by the taxpayer or by a  
17 member of the taxpayer's unitary business group  
18 (including amounts included in gross income under  
19 Sections 951 through 964 of the Internal Revenue Code  
20 and amounts included in gross income under Section 78  
21 of the Internal Revenue Code) with respect to the stock  
22 of the same person to whom the premiums and costs were  
23 directly or indirectly paid, incurred, or accrued. The  
24 preceding sentence does not apply to the extent that  
25 the same dividends caused a reduction to the addition  
26 modification required under Section 203(c)(2)(G-12) or

1 Section 203(c) (2) (G-13) of this Act;

2 (G-15) An amount equal to the credit allowable to  
3 the taxpayer under Section 218(a) of this Act,  
4 determined without regard to Section 218(c) of this  
5 Act;

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

8 (H) An amount equal to all amounts included in such  
9 total pursuant to the provisions of Sections 402(a),  
10 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
11 Internal Revenue Code or included in such total as  
12 distributions under the provisions of any retirement  
13 or disability plan for employees of any governmental  
14 agency or unit, or retirement payments to retired  
15 partners, which payments are excluded in computing net  
16 earnings from self employment by Section 1402 of the  
17 Internal Revenue Code and regulations adopted pursuant  
18 thereto;

19 (I) The valuation limitation amount;

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

23 (K) An amount equal to all amounts included in  
24 taxable income as modified by subparagraphs (A), (B),  
25 (C), (D), (E), (F) and (G) which are exempt from  
26 taxation by this State either by reason of its statutes

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

8 (L) With the exception of any amounts subtracted  
9 under subparagraph (K), an amount equal to the sum of  
10 all amounts disallowed as deductions by (i) Sections  
11 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
12 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 of 1954, as now or hereafter amended; and (ii) for  
16 taxable years ending on or after August 13, 1999,  
17 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
18 the Internal Revenue Code; the provisions of this  
19 subparagraph are exempt from the provisions of Section  
20 250;

21 (M) 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 or  
25 a River Edge Redevelopment Zone or zones created under  
26 the River Edge Redevelopment Zone Act and conducts



1 substantially all of its operations in an Enterprise  
2 Zone or Zones or a River Edge Redevelopment Zone or  
3 zones. This subparagraph (M) is exempt from the  
4 provisions of Section 250;

5 (N) An amount equal to any contribution made to a  
6 job training project established pursuant to the Tax  
7 Increment Allocation Redevelopment Act;

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

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

22 (Q) For taxable year 1999 and thereafter, an amount  
23 equal to the amount of any (i) distributions, to the  
24 extent includible in gross income for federal income  
25 tax purposes, made to the taxpayer because of his or  
26 her status as a victim of persecution for racial or

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

1 purposes. This paragraph is exempt from the provisions  
2 of Section 250;

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

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

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

20 (3) for taxable years ending after December  
21 31, 2005:

22 (i) for property on which a bonus  
23 depreciation deduction of 30% of the adjusted  
24 basis was taken, "x" equals "y" multiplied by  
25 30 and then divided by 70 (or "y" multiplied by  
26 0.429); and

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

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

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

18          If the taxpayer continues to own property through  
19          the last day of the last tax year for which the  
20          taxpayer may claim a depreciation deduction for  
21          federal income tax purposes and for which the taxpayer  
22          was required in any taxable year to make an addition  
23          modification under subparagraph (G-10), then an amount  
24          equal to that addition modification.

25          The taxpayer is allowed to take the deduction under  
26          this subparagraph only once with respect to any one

1 piece of property.

2 This subparagraph (S) is exempt from the  
3 provisions of Section 250;

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

21 (U) An amount equal to the interest income taken  
22 into account for the taxable year (net of the  
23 deductions allocable thereto) with respect to  
24 transactions with (i) a foreign person who would be a  
25 member of the taxpayer's unitary business group but for  
26 the fact the foreign person's business activity

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

15 (V) An amount equal to the income from intangible  
16 property taken into account for the taxable year (net  
17 of the 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

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(c)(2)(G-13) for  
6 intangible expenses and costs paid, accrued, or  
7 incurred, directly or indirectly, to the same foreign  
8 person. This subparagraph (V) is exempt from the  
9 provisions of Section 250.

10 (3) Limitation. The amount of any modification  
11 otherwise required under this subsection shall, under  
12 regulations prescribed by the Department, be adjusted by  
13 any amounts included therein which were properly paid,  
14 credited, or required to be distributed, or permanently set  
15 aside for charitable purposes pursuant to Internal Revenue  
16 Code Section 642(c) during the taxable year.

17 (d) Partnerships.

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

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

24 (A) An amount equal to all amounts paid or accrued  
25 to the taxpayer as interest or dividends during the

1 taxable year to the extent excluded from gross income  
2 in the computation of taxable income;

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

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

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 the  
12 computation of taxable income;

13 (D-5) For taxable years 2001 and thereafter, an  
14 amount equal to the bonus depreciation deduction taken  
15 on the taxpayer's federal income tax return for the  
16 taxable year under subsection (k) of Section 168 of the  
17 Internal Revenue Code;

18 (D-6) If the taxpayer sells, transfers, abandons,  
19 or otherwise disposes of property for which the  
20 taxpayer was required in any taxable year to make an  
21 addition modification under subparagraph (D-5), then  
22 an amount equal to the aggregate amount of the  
23 deductions taken in all taxable years under  
24 subparagraph (D) with respect to that property.

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



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

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

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

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

10 This paragraph shall not apply to the following:

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

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

22 (a) the person, during the same taxable  
23 year, paid, accrued, or incurred, the interest  
24 to a person that is not a related member, and

25 (b) the transaction giving rise to the  
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the  
2 avoidance of Illinois income tax, and is paid  
3 pursuant to a contract or agreement that  
4 reflects an arm's-length interest rate and  
5 terms; or

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

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

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

1 under Section 404 of this Act; and

2 (D-8) An amount equal to the amount of intangible  
3 expenses and costs otherwise allowed as a deduction in  
4 computing base income, and that were paid, accrued, or  
5 incurred, directly or indirectly, (i) for taxable  
6 years ending on or after December 31, 2004, to a  
7 foreign person who would be a member of the same  
8 unitary business group but for the fact that the  
9 foreign person's business activity outside the United  
10 States is 80% or more of that person's total business  
11 activity and (ii) for taxable years ending on or after  
12 December 31, 2008, to a person who would be a member of  
13 the same unitary business group but for the fact that  
14 the person is prohibited under Section 1501(a)(27)  
15 from being included in the unitary business group  
16 because he or she is ordinarily required to apportion  
17 business income under different subsections of Section  
18 304. The addition modification required by this  
19 subparagraph shall be reduced to the extent that  
20 dividends were included in base income of the unitary  
21 group for the same taxable year and received by the  
22 taxpayer or by a member of the taxpayer's unitary  
23 business group (including amounts included in gross  
24 income pursuant to Sections 951 through 964 of the  
25 Internal Revenue Code and amounts included in gross  
26 income under Section 78 of the Internal Revenue Code)

1 with respect to the stock of the same person to whom  
2 the intangible expenses and costs were directly or  
3 indirectly paid, incurred or accrued. The preceding  
4 sentence shall not apply to the extent that the same  
5 dividends caused a reduction to the addition  
6 modification required under Section 203(d)(2)(D-7) of  
7 this Act. As used in this subparagraph, the term  
8 "intangible expenses and costs" includes (1) expenses,  
9 losses, and costs for, or related to, the direct or  
10 indirect acquisition, use, maintenance or management,  
11 ownership, sale, exchange, or any other disposition of  
12 intangible property; (2) losses incurred, directly or  
13 indirectly, from factoring transactions or discounting  
14 transactions; (3) royalty, patent, technical, and  
15 copyright fees; (4) licensing fees; and (5) other  
16 similar expenses and costs. For purposes of this  
17 subparagraph, "intangible property" includes patents,  
18 patent applications, trade names, trademarks, service  
19 marks, copyrights, mask works, trade secrets, and  
20 similar types of intangible assets;

21 This paragraph shall not apply to the following:

22 (i) any item of intangible expenses or costs  
23 paid, accrued, or incurred, directly or  
24 indirectly, from a transaction with a person who is  
25 subject in a foreign country or state, other than a  
26 state which requires mandatory unitary reporting,

1 to a tax on or measured by net income with respect  
2 to such item; or

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

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

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

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

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

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

1 Sections 951 through 964 of the Internal Revenue Code  
2 and amounts included in gross income under Section 78  
3 of the Internal Revenue Code) with respect to the stock  
4 of the same person to whom the premiums and costs were  
5 directly or indirectly paid, incurred, or accrued. The  
6 preceding sentence does not apply to the extent that  
7 the same dividends caused a reduction to the addition  
8 modification required under Section 203(d)(2)(D-7) or  
9 Section 203(d)(2)(D-8) of this Act;

10 (D-10) An amount equal to the credit allowable to  
11 the taxpayer under Section 218(a) of this Act,  
12 determined without regard to Section 218(c) of this  
13 Act;

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

16 (E) The valuation limitation amount;

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

20 (G) An amount equal to all amounts included in  
21 taxable income as modified by subparagraphs (A), (B),  
22 (C) and (D) which are exempt from taxation by this  
23 State either by reason of its statutes or Constitution  
24 or by reason of the Constitution, treaties or statutes  
25 of the United States; provided that, in the case of any  
26 statute of this State that exempts income derived from



1 bonds or other obligations from the tax imposed under  
2 this Act, the amount exempted shall be the interest net  
3 of bond premium amortization;

4 (H) Any income of the partnership which  
5 constitutes personal service income as defined in  
6 Section 1348 (b) (1) of the Internal Revenue Code (as  
7 in effect December 31, 1981) or a reasonable allowance  
8 for compensation paid or accrued for services rendered  
9 by partners to the partnership, whichever is greater;

10 (I) An amount equal to all amounts of income  
11 distributable to an entity subject to the Personal  
12 Property Tax Replacement Income Tax imposed by  
13 subsections (c) and (d) of Section 201 of this Act  
14 including amounts distributable to organizations  
15 exempt from federal income tax by reason of Section  
16 501(a) of the Internal Revenue Code;

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

1 Internal Revenue Code; the provisions of this  
2 subparagraph are exempt from the provisions of Section  
3 250;

4 (K) An amount equal to those dividends included in  
5 such total which were paid by a corporation which  
6 conducts business operations in an Enterprise Zone or  
7 zones created under the Illinois Enterprise Zone Act,  
8 enacted by the 82nd General Assembly, or a River Edge  
9 Redevelopment Zone or zones created under the River  
10 Edge Redevelopment Zone Act and conducts substantially  
11 all of its operations in an Enterprise Zone or Zones or  
12 from a River Edge Redevelopment Zone or zones. This  
13 subparagraph (K) is exempt from the provisions of  
14 Section 250;

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

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

1           (N) An amount equal to the amount of the deduction  
2 used to compute the federal income tax credit for  
3 restoration of substantial amounts held under claim of  
4 right for the taxable year pursuant to Section 1341 of  
5 the Internal Revenue Code of 1986;

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

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

19           (2) for taxable years ending on or before  
20 December 31, 2005, "x" equals "y" multiplied by 30  
21 and then divided by 70 (or "y" multiplied by  
22 0.429); and

23           (3) for taxable years ending after December  
24 31, 2005:

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

1 basis was taken, "x" equals "y" multiplied by  
2 30 and then divided by 70 (or "y" multiplied by  
3 0.429); and

4 (ii) for property on which a bonus  
5 depreciation deduction of 50% of the adjusted  
6 basis was taken, "x" equals "y" multiplied by  
7 1.0.

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

16 (P) If the taxpayer sells, transfers, abandons, or  
17 otherwise disposes of property for which the taxpayer  
18 was required in any taxable year to make an addition  
19 modification under subparagraph (D-5), then an amount  
20 equal to that addition modification.

21 If the taxpayer continues to own property through  
22 the last day of the last tax year for which the  
23 taxpayer may claim a depreciation deduction for  
24 federal income tax purposes and for which the taxpayer  
25 was required in any taxable year to make an addition  
26 modification under subparagraph (D-5), then an amount

1 equal to that addition modification.

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

5 This subparagraph (P) is exempt from the  
6 provisions of Section 250;

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

24 (R) 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

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(d)(2)(D-7) for interest  
15 paid, accrued, or incurred, directly or indirectly, to  
16 the same person. This subparagraph (R) is exempt from  
17 Section 250; and

18 (S) 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

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(d)(2)(D-8) for  
9           intangible expenses and costs paid, accrued, or  
10          incurred, directly or indirectly, to the same person.  
11          This subparagraph (S) is exempt from Section 250.

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

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

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

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

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



1 distribution from pre-1984 policyholder surplus  
2 accounts as calculated under Section 815a of the  
3 Internal Revenue Code;

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

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

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

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

1 Code had been in effect for all such years;

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

1           forth requirements for documenting the elections and  
2           any resulting Illinois net loss and the standards to be  
3           used by the Director in evaluating requests to revoke  
4           elections. Public Act 96-932 ~~This amendatory Act of the~~  
5           ~~96th General Assembly~~ is declaratory of existing law;

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

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

1 but which would be taken into account by an individual  
2 in calculating his taxable income.

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

20 (f) Valuation limitation amount.

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

24 (A) The sum of the pre-August 1, 1969 appreciation  
25 amounts (to the extent consisting of gain reportable

1 under the provisions of Section 1245 or 1250 of the  
2 Internal Revenue Code) for all property in respect of  
3 which such gain was reported for the taxable year; plus

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

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

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

24 (B) If the fair market value of property referred  
25 to in paragraph (1) was not readily ascertainable on  
26 August 1, 1969, the pre-August 1, 1969 appreciation

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

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

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

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

24 (Source: P.A. 95-23, eff. 8-3-07; 95-233, eff. 8-16-07; 95-286,

1 eff. 8-20-07; 95-331, eff. 8-21-07; 95-707, eff. 1-11-08;  
2 95-876, eff. 8-21-08; 96-45, eff. 7-15-09; 96-120, eff. 8-4-09;  
3 96-198, eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff.  
4 8-14-09; 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935,  
5 eff. 6-21-10; 96-1214, eff. 7-22-10; revised 9-16-10.)

6 Section 905. The School Code is amended by changing Section  
7 18-8.05 as follows:

8 (105 ILCS 5/18-8.05)

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

12 (A) General Provisions.

13 (1) The provisions of this Section apply to the 1998-1999  
14 and subsequent school years. The system of general State  
15 financial aid provided for in this Section is designed to  
16 assure that, through a combination of State financial aid and  
17 required local resources, the financial support provided each  
18 pupil in Average Daily Attendance equals or exceeds a  
19 prescribed per pupil Foundation Level. This formula approach  
20 imputes a level of per pupil Available Local Resources and  
21 provides for the basis to calculate a per pupil level of  
22 general State financial aid that, when added to Available Local  
23 Resources, equals or exceeds the Foundation Level. The amount

1 of per pupil general State financial aid for school districts,  
2 in general, varies in inverse relation to Available Local  
3 Resources. Per pupil amounts are based upon each school  
4 district's Average Daily Attendance as that term is defined in  
5 this Section.

6 (2) In addition to general State financial aid, school  
7 districts with specified levels or concentrations of pupils  
8 from low income households are eligible to receive supplemental  
9 general State financial aid grants as provided pursuant to  
10 subsection (H). The supplemental State aid grants provided for  
11 school districts under subsection (H) shall be appropriated for  
12 distribution to school districts as part of the same line item  
13 in which the general State financial aid of school districts is  
14 appropriated under this Section.

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

18 (a) Any school district which fails for any given  
19 school year to maintain school as required by law, or to  
20 maintain a recognized school is not eligible to file for  
21 such school year any claim upon the Common School Fund. In  
22 case of nonrecognition of one or more attendance centers in  
23 a school district otherwise operating recognized schools,  
24 the claim of the district shall be reduced in the  
25 proportion which the Average Daily Attendance in the  
26 attendance center or centers bear to the Average Daily



1 Attendance in the school district. A "recognized school"  
2 means any public school which meets the standards as  
3 established for recognition by the State Board of  
4 Education. A school district or attendance center not  
5 having recognition status at the end of a school term is  
6 entitled to receive State aid payments due upon a legal  
7 claim which was filed while it was recognized.

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

11 (c) If a school district operates a full year school  
12 under Section 10-19.1, the general State aid to the school  
13 district shall be determined by the State Board of  
14 Education in accordance with this Section as near as may be  
15 applicable.

16 (d) (Blank).

17 (4) Except as provided in subsections (H) and (L), the  
18 board of any district receiving any of the grants provided for  
19 in this Section may apply those funds to any fund so received  
20 for which that board is authorized to make expenditures by law.

21 School districts are not required to exert a minimum  
22 Operating Tax Rate in order to qualify for assistance under  
23 this Section.

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

26 (a) "Average Daily Attendance": A count of pupil

1 attendance in school, averaged as provided for in  
2 subsection (C) and utilized in deriving per pupil financial  
3 support levels.

4 (b) "Available Local Resources": A computation of  
5 local financial support, calculated on the basis of Average  
6 Daily Attendance and derived as provided pursuant to  
7 subsection (D).

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

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

17 (e) "Operating Tax Rate": All school district property  
18 taxes extended for all purposes, except Bond and Interest,  
19 Summer School, Rent, Capital Improvement, and Vocational  
20 Education Building purposes.

21 (B) Foundation Level.

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

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

7           (2) For the 1998-1999 school year, the Foundation Level of  
8     support is \$4,225. For the 1999-2000 school year, the  
9     Foundation Level of support is \$4,325. For the 2000-2001 school  
10    year, the Foundation Level of support is \$4,425. For the  
11    2001-2002 school year and 2002-2003 school year, the Foundation  
12    Level of support is \$4,560. For the 2003-2004 school year, the  
13    Foundation Level of support is \$4,810. For the 2004-2005 school  
14    year, the Foundation Level of support is \$4,964. For the  
15    2005-2006 school year, the Foundation Level of support is  
16    \$5,164. For the 2006-2007 school year, the Foundation Level of  
17    support is \$5,334. For the 2007-2008 school year, the  
18    Foundation Level of support is \$5,734. For the 2008-2009 school  
19    year, the Foundation Level of support is \$5,959.

20           (3) For the 2009-2010 school year and each school year  
21    thereafter, the Foundation Level of support is \$6,119 or such  
22    greater amount as may be established by law by the General  
23    Assembly.

24           (C) Average Daily Attendance.

25           (1) For purposes of calculating general State aid pursuant

1 to subsection (E), an Average Daily Attendance figure shall be  
2 utilized. The Average Daily Attendance figure for formula  
3 calculation purposes shall be the monthly average of the actual  
4 number of pupils in attendance of each school district, as  
5 further averaged for the best 3 months of pupil attendance for  
6 each school district. In compiling the figures for the number  
7 of pupils in attendance, school districts and the State Board  
8 of Education shall, for purposes of general State aid funding,  
9 conform attendance figures to the requirements of subsection  
10 (F).

11 (2) The Average Daily Attendance figures utilized in  
12 subsection (E) shall be the requisite attendance data for the  
13 school year immediately preceding the school year for which  
14 general State aid is being calculated or the average of the  
15 attendance data for the 3 preceding school years, whichever is  
16 greater. The Average Daily Attendance figures utilized in  
17 subsection (H) shall be the requisite attendance data for the  
18 school year immediately preceding the school year for which  
19 general State aid is being calculated.

20 (D) Available Local Resources.

21 (1) For purposes of calculating general State aid pursuant  
22 to subsection (E), a representation of Available Local  
23 Resources per pupil, as that term is defined and determined in  
24 this subsection, shall be utilized. Available Local Resources  
25 per pupil shall include a calculated dollar amount representing

1 local school district revenues from local property taxes and  
2 from Corporate Personal Property Replacement Taxes, expressed  
3 on the basis of pupils in Average Daily Attendance. Calculation  
4 of Available Local Resources shall exclude any tax amnesty  
5 funds received as a result of Public Act 93-26.

6 (2) In determining a school district's revenue from local  
7 property taxes, the State Board of Education shall utilize the  
8 equalized assessed valuation of all taxable property of each  
9 school district as of September 30 of the previous year. The  
10 equalized assessed valuation utilized shall be obtained and  
11 determined as provided in subsection (G).

12 (3) For school districts maintaining grades kindergarten  
13 through 12, local property tax revenues per pupil shall be  
14 calculated as the product of the applicable equalized assessed  
15 valuation for the district multiplied by 3.00%, and divided by  
16 the district's Average Daily Attendance figure. For school  
17 districts maintaining grades kindergarten through 8, local  
18 property tax revenues per pupil shall be calculated as the  
19 product of the applicable equalized assessed valuation for the  
20 district multiplied by 2.30%, and divided by the district's  
21 Average Daily Attendance figure. For school districts  
22 maintaining grades 9 through 12, local property tax revenues  
23 per pupil shall be the applicable equalized assessed valuation  
24 of the district multiplied by 1.05%, and divided by the  
25 district's Average Daily Attendance figure.

26 For partial elementary unit districts created pursuant to

1 Article 11E of this Code, local property tax revenues per pupil  
2 shall be calculated as the product of the equalized assessed  
3 valuation for property within the partial elementary unit  
4 district for elementary purposes, as defined in Article 11E of  
5 this Code, multiplied by 2.06% and divided by the district's  
6 Average Daily Attendance figure, plus the product of the  
7 equalized assessed valuation for property within the partial  
8 elementary unit district for high school purposes, as defined  
9 in Article 11E of this Code, multiplied by 0.94% and divided by  
10 the district's Average Daily Attendance figure.

11 (4) The Corporate Personal Property Replacement Taxes paid  
12 to each school district during the calendar year one year  
13 before the calendar year in which a school year begins, divided  
14 by the Average Daily Attendance figure for that district, shall  
15 be added to the local property tax revenues per pupil as  
16 derived by the application of the immediately preceding  
17 paragraph (3). The sum of these per pupil figures for each  
18 school district shall constitute Available Local Resources as  
19 that term is utilized in subsection (E) in the calculation of  
20 general State aid.

21 (E) Computation of General State Aid.

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

25 (2) For any school district for which Available Local

1 Resources per pupil is less than the product of 0.93 times the  
2 Foundation Level, general State aid for that district shall be  
3 calculated as an amount equal to the Foundation Level minus  
4 Available Local Resources, multiplied by the Average Daily  
5 Attendance of the school district.

6 (3) For any school district for which Available Local  
7 Resources per pupil is equal to or greater than the product of  
8 0.93 times the Foundation Level and less than the product of  
9 1.75 times the Foundation Level, the general State aid per  
10 pupil shall be a decimal proportion of the Foundation Level  
11 derived using a linear algorithm. Under this linear algorithm,  
12 the calculated general State aid per pupil shall decline in  
13 direct linear fashion from 0.07 times the Foundation Level for  
14 a school district with Available Local Resources equal to the  
15 product of 0.93 times the Foundation Level, to 0.05 times the  
16 Foundation Level for a school district with Available Local  
17 Resources equal to the product of 1.75 times the Foundation  
18 Level. The allocation of general State aid for school districts  
19 subject to this paragraph 3 shall be the calculated general  
20 State aid per pupil figure multiplied by the Average Daily  
21 Attendance of the school district.

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

1           (5) The amount of general State aid allocated to a school  
2 district for the 1999-2000 school year meeting the requirements  
3 set forth in paragraph (4) of subsection (G) shall be increased  
4 by an amount equal to the general State aid that would have  
5 been received by the district for the 1998-1999 school year by  
6 utilizing the Extension Limitation Equalized Assessed  
7 Valuation as calculated in paragraph (4) of subsection (G) less  
8 the general State aid allotted for the 1998-1999 school year.  
9 This amount shall be deemed a one time increase, and shall not  
10 affect any future general State aid allocations.

11       (F) Compilation of Average Daily Attendance.

12           (1) Each school district shall, by July 1 of each year,  
13 submit to the State Board of Education, on forms prescribed by  
14 the State Board of Education, attendance figures for the school  
15 year that began in the preceding calendar year. The attendance  
16 information so transmitted shall identify the average daily  
17 attendance figures for each month of the school year. Beginning  
18 with the general State aid claim form for the 2002-2003 school  
19 year, districts shall calculate Average Daily Attendance as  
20 provided in subdivisions (a), (b), and (c) of this paragraph  
21 (1).

22           (a) In districts that do not hold year-round classes,  
23 days of attendance in August shall be added to the month of  
24 September and any days of attendance in June shall be added  
25 to the month of May.



1           (b) In districts in which all buildings hold year-round  
2 classes, days of attendance in July and August shall be  
3 added to the month of September and any days of attendance  
4 in June shall be added to the month of May.

5           (c) In districts in which some buildings, but not all,  
6 hold year-round classes, for the non-year-round buildings,  
7 days of attendance in August shall be added to the month of  
8 September and any days of attendance in June shall be added  
9 to the month of May. The average daily attendance for the  
10 year-round buildings shall be computed as provided in  
11 subdivision (b) of this paragraph (1). To calculate the  
12 Average Daily Attendance for the district, the average  
13 daily attendance for the year-round buildings shall be  
14 multiplied by the days in session for the non-year-round  
15 buildings for each month and added to the monthly  
16 attendance of the non-year-round buildings.

17           Except as otherwise provided in this Section, days of  
18 attendance by pupils shall be counted only for sessions of not  
19 less than 5 clock hours of school work per day under direct  
20 supervision of: (i) teachers, or (ii) non-teaching personnel or  
21 volunteer personnel when engaging in non-teaching duties and  
22 supervising in those instances specified in subsection (a) of  
23 Section 10-22.34 and paragraph 10 of Section 34-18, with pupils  
24 of legal school age and in kindergarten and grades 1 through  
25 12.

26           Days of attendance by tuition pupils shall be accredited

1 only to the districts that pay the tuition to a recognized  
2 school.

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

6 (a) Pupils regularly enrolled in a public school for  
7 only a part of the school day may be counted on the basis  
8 of 1/6 day for every class hour of instruction of 40  
9 minutes or more attended pursuant to such enrollment,  
10 unless a pupil is enrolled in a block-schedule format of 80  
11 minutes or more of instruction, in which case the pupil may  
12 be counted on the basis of the proportion of minutes of  
13 school work completed each day to the minimum number of  
14 minutes that school work is required to be held that day.

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

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

24 (d) A session of 3 or more clock hours may be counted  
25 as a day of attendance (1) when the remainder of the school  
26 day or at least 2 hours in the evening of that day is

1 utilized for an in-service training program for teachers,  
2 up to a maximum of 5 days per school year, provided a  
3 district conducts an in-service training program for  
4 teachers in accordance with Section 10-22.39 of this Code;  
5 or, in lieu of 4 such days, 2 full days may be used, in  
6 which event each such day may be counted as a day required  
7 for a legal school calendar pursuant to Section 10-19 of  
8 this Code; (1.5) when, of the 5 days allowed under item  
9 (1), a maximum of 4 days are used for parent-teacher  
10 conferences, or, in lieu of 4 such days, 2 full days are  
11 used, in which case each such day may be counted as a  
12 calendar day required under Section 10-19 of this Code,  
13 provided that the full-day, parent-teacher conference  
14 consists of (i) a minimum of 5 clock hours of  
15 parent-teacher conferences, (ii) both a minimum of 2 clock  
16 hours of parent-teacher conferences held in the evening  
17 following a full day of student attendance, as specified in  
18 subsection (F)(1)(c), and a minimum of 3 clock hours of  
19 parent-teacher conferences held on the day immediately  
20 following evening parent-teacher conferences, or (iii)  
21 multiple parent-teacher conferences held in the evenings  
22 following full days of student attendance, as specified in  
23 subsection (F)(1)(c), in which the time used for the  
24 parent-teacher conferences is equivalent to a minimum of 5  
25 clock hours; and (2) when days in addition to those  
26 provided in items (1) and (1.5) are scheduled by a school

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

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

26           (f) A session of at least 4 clock hours may be counted

1 as a day of attendance for first grade pupils, and pupils  
2 in full day kindergartens, and a session of 2 or more hours  
3 may be counted as 1/2 day of attendance by pupils in  
4 kindergartens which provide only 1/2 day of attendance.

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

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

1 year of kindergarten as determined under the rules and  
2 regulations of the State Board of Education.

3 (i) On the days when the Prairie State Achievement  
4 Examination is administered under subsection (c) of  
5 Section 2-3.64 of this Code, the day of attendance for a  
6 pupil whose school day must be shortened to accommodate  
7 required testing procedures may be less than 5 clock hours  
8 and shall be counted towards the 176 days of actual pupil  
9 attendance required under Section 10-19 of this Code,  
10 provided that a sufficient number of minutes of school work  
11 in excess of 5 clock hours are first completed on other  
12 school days to compensate for the loss of school work on  
13 the examination days.

14 (G) Equalized Assessed Valuation Data.

15 (1) For purposes of the calculation of Available Local  
16 Resources required pursuant to subsection (D), the State Board  
17 of Education shall secure from the Department of Revenue the  
18 value as equalized or assessed by the Department of Revenue of  
19 all taxable property of every school district, together with  
20 (i) the applicable tax rate used in extending taxes for the  
21 funds of the district as of September 30 of the previous year  
22 and (ii) the limiting rate for all school districts subject to  
23 property tax extension limitations as imposed under the  
24 Property Tax Extension Limitation Law.

25 The Department of Revenue shall add to the equalized

1 assessed value of all taxable property of each school district  
2 situated entirely or partially within a county that is or was  
3 subject to the provisions of Section 15-176 or 15-177 of the  
4 Property Tax Code (a) an amount equal to the total amount by  
5 which the homestead exemption allowed under Section 15-176 or  
6 15-177 of the Property Tax Code for real property situated in  
7 that school district exceeds the total amount that would have  
8 been allowed in that school district if the maximum reduction  
9 under Section 15-176 was (i) \$4,500 in Cook County or \$3,500 in  
10 all other counties in tax year 2003 or (ii) \$5,000 in all  
11 counties in tax year 2004 and thereafter and (b) an amount  
12 equal to the aggregate amount for the taxable year of all  
13 additional exemptions under Section 15-175 of the Property Tax  
14 Code for owners with a household income of \$30,000 or less. The  
15 county clerk of any county that is or was subject to the  
16 provisions of Section 15-176 or 15-177 of the Property Tax Code  
17 shall annually calculate and certify to the Department of  
18 Revenue for each school district all homestead exemption  
19 amounts under Section 15-176 or 15-177 of the Property Tax Code  
20 and all amounts of additional exemptions under Section 15-175  
21 of the Property Tax Code for owners with a household income of  
22 \$30,000 or less. It is the intent of this paragraph that if the  
23 general homestead exemption for a parcel of property is  
24 determined under Section 15-176 or 15-177 of the Property Tax  
25 Code rather than Section 15-175, then the calculation of  
26 Available Local Resources shall not be affected by the

1 difference, if any, between the amount of the general homestead  
2 exemption allowed for that parcel of property under Section  
3 15-176 or 15-177 of the Property Tax Code and the amount that  
4 would have been allowed had the general homestead exemption for  
5 that parcel of property been determined under Section 15-175 of  
6 the Property Tax Code. It is further the intent of this  
7 paragraph that if additional exemptions are allowed under  
8 Section 15-175 of the Property Tax Code for owners with a  
9 household income of less than \$30,000, then the calculation of  
10 Available Local Resources shall not be affected by the  
11 difference, if any, because of those additional exemptions.

12 This equalized assessed valuation, as adjusted further by  
13 the requirements of this subsection, shall be utilized in the  
14 calculation of Available Local Resources.

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

17 (a) For the purposes of calculating State aid under  
18 this Section, with respect to any part of a school district  
19 within a redevelopment project area in respect to which a  
20 municipality has adopted tax increment allocation  
21 financing pursuant to the Tax Increment Allocation  
22 Redevelopment Act, Sections 11-74.4-1 through 11-74.4-11  
23 of the Illinois Municipal Code or the Industrial Jobs  
24 Recovery Law, Sections 11-74.6-1 through 11-74.6-50 of the  
25 Illinois Municipal Code, no part of the current equalized  
26 assessed valuation of real property located in any such



1 project area which is attributable to an increase above the  
2 total initial equalized assessed valuation of such  
3 property shall be used as part of the equalized assessed  
4 valuation of the district, until such time as all  
5 redevelopment project costs have been paid, as provided in  
6 Section 11-74.4-8 of the Tax Increment Allocation  
7 Redevelopment Act or in Section 11-74.6-35 of the  
8 Industrial Jobs Recovery Law. For the purpose of the  
9 equalized assessed valuation of the district, the total  
10 initial equalized assessed valuation or the current  
11 equalized assessed valuation, whichever is lower, shall be  
12 used until such time as all redevelopment project costs  
13 have been paid.

14 (b) The real property equalized assessed valuation for  
15 a school district shall be adjusted by subtracting from the  
16 real property value as equalized or assessed by the  
17 Department of Revenue for the district an amount computed  
18 by dividing the amount of any abatement of taxes under  
19 Section 18-170 of the Property Tax Code by 3.00% for a  
20 district maintaining grades kindergarten through 12, by  
21 2.30% for a district maintaining grades kindergarten  
22 through 8, or by 1.05% for a district maintaining grades 9  
23 through 12 and adjusted by an amount computed by dividing  
24 the amount of any abatement of taxes under subsection (a)  
25 of Section 18-165 of the Property Tax Code by the same  
26 percentage rates for district type as specified in this

1           subparagraph (b).

2           (3) For the 1999-2000 school year and each school year  
3 thereafter, if a school district meets all of the criteria of  
4 this subsection (G) (3), the school district's Available Local  
5 Resources shall be calculated under subsection (D) using the  
6 district's Extension Limitation Equalized Assessed Valuation  
7 as calculated under this subsection (G) (3).

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

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

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

14           "Preceding Tax Year": The property tax levy year  
15 immediately preceding the Base Tax Year.

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

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

25           "Extension Limitation Ratio": A numerical ratio,  
26 certified by the County Clerk, in which the numerator is

1 the Base Tax Year's Tax Extension and the denominator is  
2 the Preceding Tax Year's Tax Extension.

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

5 If a school district is subject to property tax extension  
6 limitations as imposed under the Property Tax Extension  
7 Limitation Law, the State Board of Education shall calculate  
8 the Extension Limitation Equalized Assessed Valuation of that  
9 district. For the 1999-2000 school year, the Extension  
10 Limitation Equalized Assessed Valuation of a school district as  
11 calculated by the State Board of Education shall be equal to  
12 the product of the district's 1996 Equalized Assessed Valuation  
13 and the district's Extension Limitation Ratio. Except as  
14 otherwise provided in this paragraph for a school district that  
15 has approved or does approve an increase in its limiting rate,  
16 for the 2000-2001 school year and each school year thereafter,  
17 the Extension Limitation Equalized Assessed Valuation of a  
18 school district as calculated by the State Board of Education  
19 shall be equal to the product of the Equalized Assessed  
20 Valuation last used in the calculation of general State aid and  
21 the district's Extension Limitation Ratio. If the Extension  
22 Limitation Equalized Assessed Valuation of a school district as  
23 calculated under this subsection (G)(3) is less than the  
24 district's equalized assessed valuation as calculated pursuant  
25 to subsections (G)(1) and (G)(2), then for purposes of  
26 calculating the district's general State aid for the Budget

1 Year pursuant to subsection (E), that Extension Limitation  
2 Equalized Assessed Valuation shall be utilized to calculate the  
3 district's Available Local Resources under subsection (D). For  
4 the 2009-2010 school year and each school year thereafter, if a  
5 school district has approved or does approve an increase in its  
6 limiting rate, pursuant to Section 18-190 of the Property Tax  
7 Code, affecting the Base Tax Year, the Extension Limitation  
8 Equalized Assessed Valuation of the school district, as  
9 calculated by the State Board of Education, shall be equal to  
10 the product of the Equalized Assessed Valuation last used in  
11 the calculation of general State aid times an amount equal to  
12 one plus the percentage increase, if any, in the Consumer Price  
13 Index for all Urban Consumers for all items published by the  
14 United States Department of Labor for the 12-month calendar  
15 year preceding the Base Tax Year, plus the Equalized Assessed  
16 Valuation of new property, annexed property, and recovered tax  
17 increment value and minus the Equalized Assessed Valuation of  
18 disconnected property. New property and recovered tax  
19 increment value shall have the meanings set forth in the  
20 Property Tax Extension Limitation Law.

21 Partial elementary unit districts created in accordance  
22 with Article 11E of this Code shall not be eligible for the  
23 adjustment in this subsection (G)(3) until the fifth year  
24 following the effective date of the reorganization.

25 (3.5) For the 2010-2011 school year and each school year  
26 thereafter, if a school district's boundaries span multiple

1 counties, then the Department of Revenue shall send to the  
2 State Board of Education, for the purpose of calculating  
3 general State aid, the limiting rate and individual rates by  
4 purpose for the county that contains the majority of the school  
5 district's Equalized Assessed Valuation.

6 (4) For the purposes of calculating general State aid for  
7 the 1999-2000 school year only, if a school district  
8 experienced a triennial reassessment on the equalized assessed  
9 valuation used in calculating its general State financial aid  
10 apportionment for the 1998-1999 school year, the State Board of  
11 Education shall calculate the Extension Limitation Equalized  
12 Assessed Valuation that would have been used to calculate the  
13 district's 1998-1999 general State aid. This amount shall equal  
14 the product of the equalized assessed valuation used to  
15 calculate general State aid for the 1997-1998 school year and  
16 the district's Extension Limitation Ratio. If the Extension  
17 Limitation Equalized Assessed Valuation of the school district  
18 as calculated under this paragraph (4) is less than the  
19 district's equalized assessed valuation utilized in  
20 calculating the district's 1998-1999 general State aid  
21 allocation, then for purposes of calculating the district's  
22 general State aid pursuant to paragraph (5) of subsection (E),  
23 that Extension Limitation Equalized Assessed Valuation shall  
24 be utilized to calculate the district's Available Local  
25 Resources.

26 (5) For school districts having a majority of their

1 equalized assessed valuation in any county except Cook, DuPage,  
2 Kane, Lake, McHenry, or Will, if the amount of general State  
3 aid allocated to the school district for the 1999-2000 school  
4 year under the provisions of subsection (E), (H), and (J) of  
5 this Section is less than the amount of general State aid  
6 allocated to the district for the 1998-1999 school year under  
7 these subsections, then the general State aid of the district  
8 for the 1999-2000 school year only shall be increased by the  
9 difference between these amounts. The total payments made under  
10 this paragraph (5) shall not exceed \$14,000,000. Claims shall  
11 be prorated if they exceed \$14,000,000.

12 (H) Supplemental General State Aid.

13 (1) In addition to the general State aid a school district  
14 is allotted pursuant to subsection (E), qualifying school  
15 districts shall receive a grant, paid in conjunction with a  
16 district's payments of general State aid, for supplemental  
17 general State aid based upon the concentration level of  
18 children from low-income households within the school  
19 district. Supplemental State aid grants provided for school  
20 districts under this subsection shall be appropriated for  
21 distribution to school districts as part of the same line item  
22 in which the general State financial aid of school districts is  
23 appropriated under this Section.

24 (1.5) This paragraph (1.5) applies only to those school  
25 years preceding the 2003-2004 school year. For purposes of this

1 subsection (H), the term "Low-Income Concentration Level"  
2 shall be the low-income eligible pupil count from the most  
3 recently available federal census divided by the Average Daily  
4 Attendance of the school district. If, however, (i) the  
5 percentage decrease from the 2 most recent federal censuses in  
6 the low-income eligible pupil count of a high school district  
7 with fewer than 400 students exceeds by 75% or more the  
8 percentage change in the total low-income eligible pupil count  
9 of contiguous elementary school districts, whose boundaries  
10 are coterminous with the high school district, or (ii) a high  
11 school district within 2 counties and serving 5 elementary  
12 school districts, whose boundaries are coterminous with the  
13 high school district, has a percentage decrease from the 2 most  
14 recent federal censuses in the low-income eligible pupil count  
15 and there is a percentage increase in the total low-income  
16 eligible pupil count of a majority of the elementary school  
17 districts in excess of 50% from the 2 most recent federal  
18 censuses, then the high school district's low-income eligible  
19 pupil count from the earlier federal census shall be the number  
20 used as the low-income eligible pupil count for the high school  
21 district, for purposes of this subsection (H). The changes made  
22 to this paragraph (1) by Public Act 92-28 shall apply to  
23 supplemental general State aid grants for school years  
24 preceding the 2003-2004 school year that are paid in fiscal  
25 year 1999 or thereafter and to any State aid payments made in  
26 fiscal year 1994 through fiscal year 1998 pursuant to

1 subsection 1(n) of Section 18-8 of this Code (which was  
2 repealed on July 1, 1998), and any high school district that is  
3 affected by Public Act 92-28 is entitled to a recomputation of  
4 its supplemental general State aid grant or State aid paid in  
5 any of those fiscal years. This recomputation shall not be  
6 affected by any other funding.

7 (1.10) This paragraph (1.10) applies to the 2003-2004  
8 school year and each school year thereafter. For purposes of  
9 this subsection (H), the term "Low-Income Concentration Level"  
10 shall, for each fiscal year, be the low-income eligible pupil  
11 count as of July 1 of the immediately preceding fiscal year (as  
12 determined by the Department of Human Services based on the  
13 number of pupils who are eligible for at least one of the  
14 following low income programs: Medicaid, the Children's Health  
15 Insurance Program, TANF, or Food Stamps, excluding pupils who  
16 are eligible for services provided by the Department of  
17 Children and Family Services, averaged over the 2 immediately  
18 preceding fiscal years for fiscal year 2004 and over the 3  
19 immediately preceding fiscal years for each fiscal year  
20 thereafter) divided by the Average Daily Attendance of the  
21 school district.

22 (2) Supplemental general State aid pursuant to this  
23 subsection (H) shall be provided as follows for the 1998-1999,  
24 1999-2000, and 2000-2001 school years only:

25 (a) For any school district with a Low Income  
26 Concentration Level of at least 20% and less than 35%, the



1 grant for any school year shall be \$800 multiplied by the  
2 low income eligible pupil count.

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

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

11 (d) For any school district with a Low Income  
12 Concentration Level of 60% or more, the grant for the  
13 1998-99 school year shall be \$1,900 multiplied by the low  
14 income eligible pupil count.

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

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

23 (2.5) Supplemental general State aid pursuant to this  
24 subsection (H) shall be provided as follows for the 2002-2003  
25 school year:

26 (a) For any school district with a Low Income

1 Concentration Level of less than 10%, the grant for each  
2 school year shall be \$355 multiplied by the low income  
3 eligible pupil count.

4 (b) For any school district with a Low Income  
5 Concentration Level of at least 10% and less than 20%, the  
6 grant for each school year shall be \$675 multiplied by the  
7 low income eligible pupil count.

8 (c) For any school district with a Low Income  
9 Concentration Level of at least 20% and less than 35%, the  
10 grant for each school year shall be \$1,330 multiplied by  
11 the low income eligible pupil count.

12 (d) For any school district with a Low Income  
13 Concentration Level of at least 35% and less than 50%, the  
14 grant for each school year shall be \$1,362 multiplied by  
15 the low income eligible pupil count.

16 (e) For any school district with a Low Income  
17 Concentration Level of at least 50% and less than 60%, the  
18 grant for each school year shall be \$1,680 multiplied by  
19 the low income eligible pupil count.

20 (f) For any school district with a Low Income  
21 Concentration Level of 60% or more, the grant for each  
22 school year shall be \$2,080 multiplied by the low income  
23 eligible pupil count.

24 (2.10) Except as otherwise provided, supplemental general  
25 State aid pursuant to this subsection (H) shall be provided as  
26 follows for the 2003-2004 school year and each school year

1 thereafter:

2 (a) For any school district with a Low Income  
3 Concentration Level of 15% or less, the grant for each  
4 school year shall be \$355 multiplied by the low income  
5 eligible pupil count.

6 (b) For any school district with a Low Income  
7 Concentration Level greater than 15%, the grant for each  
8 school year shall be \$294.25 added to the product of \$2,700  
9 and the square of the Low Income Concentration Level, all  
10 multiplied by the low income eligible pupil count.

11 For the 2003-2004 school year and each school year  
12 thereafter through the 2008-2009 school year only, the grant  
13 shall be no less than the grant for the 2002-2003 school year.  
14 For the 2009-2010 school year only, the grant shall be no less  
15 than the grant for the 2002-2003 school year multiplied by  
16 0.66. For the 2010-2011 school year only, the grant shall be no  
17 less than the grant for the 2002-2003 school year multiplied by  
18 0.33. Notwithstanding the provisions of this paragraph to the  
19 contrary, if for any school year supplemental general State aid  
20 grants are prorated as provided in paragraph (1) of this  
21 subsection (H), then the grants under this paragraph shall be  
22 prorated.

23 For the 2003-2004 school year only, the grant shall be no  
24 greater than the grant received during the 2002-2003 school  
25 year added to the product of 0.25 multiplied by the difference  
26 between the grant amount calculated under subsection (a) or (b)

1 of this paragraph (2.10), whichever is applicable, and the  
2 grant received during the 2002-2003 school year. For the  
3 2004-2005 school year only, the grant shall be no greater than  
4 the grant received during the 2002-2003 school year added to  
5 the product of 0.50 multiplied by the difference between the  
6 grant amount calculated under subsection (a) or (b) of this  
7 paragraph (2.10), whichever is applicable, and the grant  
8 received during the 2002-2003 school year. For the 2005-2006  
9 school year only, the grant shall be no greater than the grant  
10 received during the 2002-2003 school year added to the product  
11 of 0.75 multiplied by the difference between the grant amount  
12 calculated under subsection (a) or (b) of this paragraph  
13 (2.10), whichever is applicable, and the grant received during  
14 the 2002-2003 school year.

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

25 (4) School districts with an Average Daily Attendance of  
26 50,000 or more that qualify for supplemental general State aid

1 pursuant to this subsection shall be required to distribute  
2 from funds available pursuant to this Section, no less than  
3 \$261,000,000 in accordance with the following requirements:

4 (a) The required amounts shall be distributed to the  
5 attendance centers within the district in proportion to the  
6 number of pupils enrolled at each attendance center who are  
7 eligible to receive free or reduced-price lunches or  
8 breakfasts under the federal Child Nutrition Act of 1966  
9 and under the National School Lunch Act during the  
10 immediately preceding school year.

11 (b) The distribution of these portions of supplemental  
12 and general State aid among attendance centers according to  
13 these requirements shall not be compensated for or  
14 contravened by adjustments of the total of other funds  
15 appropriated to any attendance centers, and the Board of  
16 Education shall utilize funding from one or several sources  
17 in order to fully implement this provision annually prior  
18 to the opening of school.

19 (c) Each attendance center shall be provided by the  
20 school district a distribution of noncategorical funds and  
21 other categorical funds to which an attendance center is  
22 entitled under law in order that the general State aid and  
23 supplemental general State aid provided by application of  
24 this subsection supplements rather than supplants the  
25 noncategorical funds and other categorical funds provided  
26 by the school district to the attendance centers.

1           (d) Any funds made available under this subsection that  
2           by reason of the provisions of this subsection are not  
3           required to be allocated and provided to attendance centers  
4           may be used and appropriated by the board of the district  
5           for any lawful school purpose.

6           (e) Funds received by an attendance center pursuant to  
7           this subsection shall be used by the attendance center at  
8           the discretion of the principal and local school council  
9           for programs to improve educational opportunities at  
10          qualifying schools through the following programs and  
11          services: early childhood education, reduced class size or  
12          improved adult to student classroom ratio, enrichment  
13          programs, remedial assistance, attendance improvement, and  
14          other educationally beneficial expenditures which  
15          supplement the regular and basic programs as determined by  
16          the State Board of Education. Funds provided shall not be  
17          expended for any political or lobbying purposes as defined  
18          by board rule.

19          (f) Each district subject to the provisions of this  
20          subdivision (H) (4) shall submit an acceptable plan to meet  
21          the educational needs of disadvantaged children, in  
22          compliance with the requirements of this paragraph, to the  
23          State Board of Education prior to July 15 of each year.  
24          This plan shall be consistent with the decisions of local  
25          school councils concerning the school expenditure plans  
26          developed in accordance with part 4 of Section 34-2.3. The

1 State Board shall approve or reject the plan within 60 days  
2 after its submission. If the plan is rejected, the district  
3 shall give written notice of intent to modify the plan  
4 within 15 days of the notification of rejection and then  
5 submit a modified plan within 30 days after the date of the  
6 written notice of intent to modify. Districts may amend  
7 approved plans pursuant to rules promulgated by the State  
8 Board of Education.

9 Upon notification by the State Board of Education that  
10 the district has not submitted a plan prior to July 15 or a  
11 modified plan within the time period specified herein, the  
12 State aid funds affected by that plan or modified plan  
13 shall be withheld by the State Board of Education until a  
14 plan or modified plan is submitted.

15 If the district fails to distribute State aid to  
16 attendance centers in accordance with an approved plan, the  
17 plan for the following year shall allocate funds, in  
18 addition to the funds otherwise required by this  
19 subsection, to those attendance centers which were  
20 underfunded during the previous year in amounts equal to  
21 such underfunding.

22 For purposes of determining compliance with this  
23 subsection in relation to the requirements of attendance  
24 center funding, each district subject to the provisions of  
25 this subsection shall submit as a separate document by  
26 December 1 of each year a report of expenditure data for

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

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

22 (H-5) School Choice Voucher Program Adjustments.

23 (1) Funding for City of Chicago School District 299 shall  
24 be adjusted to account for the costs of the School Choice  
25 Voucher Program established under the School Choice Act.

26 (2) Beginning in Fiscal Year 2012 and thereafter, the total



1 cost of the School Choice Vouchers issued under the School  
2 Choice Act shall be deducted from the portion of general state  
3 aid City of Chicago School District 299 receives under this  
4 Section for that fiscal year.

5 (3) Beginning in Fiscal Year 2013, there will be an  
6 adjustment to the general state aid calculation for City of  
7 Chicago School District 299 to provide funding for the school  
8 choice voucher program. The adjustment shall be (a) the sum of  
9 the district's general state aid calculation pursuant to  
10 subsection (B) and the district's supplemental general state  
11 aid calculation pursuant to subsection (H) if the students  
12 enrolled in nonpublic schools under a school choice voucher had  
13 been enrolled in the district, less (b) the sum of the  
14 district's general state aid calculation pursuant to  
15 subsection (B) and the district's supplemental general state  
16 aid calculation pursuant to subsection (H) excluding students  
17 enrolled in non-public schools under a school choice voucher.

18 (I) (Blank).

19 (J) Supplementary Grants in Aid.

20 (1) Notwithstanding any other provisions of this Section,  
21 the amount of the aggregate general State aid in combination  
22 with supplemental general State aid under this Section for  
23 which each school district is eligible shall be no less than  
24 the amount of the aggregate general State aid entitlement that

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

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

26 (3) (Blank).

1 (K) Grants to Laboratory and Alternative Schools.

2 In calculating the amount to be paid to the governing board  
3 of a public university that operates a laboratory school under  
4 this Section or to any alternative school that is operated by a  
5 regional superintendent of schools, the State Board of  
6 Education shall require by rule such reporting requirements as  
7 it deems necessary.

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

20 As used in this Section, "alternative school" means a  
21 public school which is created and operated by a Regional  
22 Superintendent of Schools and approved by the State Board of  
23 Education. Such alternative schools may offer courses of  
24 instruction for which credit is given in regular school  
25 programs, courses to prepare students for the high school

1     equivalency testing program or vocational and occupational  
2     training. A regional superintendent of schools may contract  
3     with a school district or a public community college district  
4     to operate an alternative school. An alternative school serving  
5     more than one educational service region may be established by  
6     the regional superintendents of schools of the affected  
7     educational service regions. An alternative school serving  
8     more than one educational service region may be operated under  
9     such terms as the regional superintendents of schools of those  
10    educational service regions may agree.

11         Each laboratory and alternative school shall file, on forms  
12    provided by the State Superintendent of Education, an annual  
13    State aid claim which states the Average Daily Attendance of  
14    the school's students by month. The best 3 months' Average  
15    Daily Attendance shall be computed for each school. The general  
16    State aid entitlement shall be computed by multiplying the  
17    applicable Average Daily Attendance by the Foundation Level as  
18    determined under this Section.

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

20         (1) For a school district operating under the financial  
21    supervision of an Authority created under Article 34A, the  
22    general State aid otherwise payable to that district under this  
23    Section, but not the supplemental general State aid, shall be  
24    reduced by an amount equal to the budget for the operations of  
25    the Authority as certified by the Authority to the State Board

1 of Education, and an amount equal to such reduction shall be  
2 paid to the Authority created for such district for its  
3 operating expenses in the manner provided in Section 18-11. The  
4 remainder of general State school aid for any such district  
5 shall be paid in accordance with Article 34A when that Article  
6 provides for a disposition other than that provided by this  
7 Article.

8 (2) (Blank).

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

11 (M) Education Funding Advisory Board.

12 The Education Funding Advisory Board, hereinafter in this  
13 subsection (M) referred to as the "Board", is hereby created.  
14 The Board shall consist of 5 members who are appointed by the  
15 Governor, by and with the advice and consent of the Senate. The  
16 members appointed shall include representatives of education,  
17 business, and the general public. One of the members so  
18 appointed shall be designated by the Governor at the time the  
19 appointment is made as the chairperson of the Board. The  
20 initial members of the Board may be appointed any time after  
21 the effective date of this amendatory Act of 1997. The regular  
22 term of each member of the Board shall be for 4 years from the  
23 third Monday of January of the year in which the term of the  
24 member's appointment is to commence, except that of the 5  
25 initial members appointed to serve on the Board, the member who

1 is appointed as the chairperson shall serve for a term that  
2 commences on the date of his or her appointment and expires on  
3 the third Monday of January, 2002, and the remaining 4 members,  
4 by lots drawn at the first meeting of the Board that is held  
5 after all 5 members are appointed, shall determine 2 of their  
6 number to serve for terms that commence on the date of their  
7 respective appointments and expire on the third Monday of  
8 January, 2001, and 2 of their number to serve for terms that  
9 commence on the date of their respective appointments and  
10 expire on the third Monday of January, 2000. All members  
11 appointed to serve on the Board shall serve until their  
12 respective successors are appointed and confirmed. Vacancies  
13 shall be filled in the same manner as original appointments. If  
14 a vacancy in membership occurs at a time when the Senate is not  
15 in session, the Governor shall make a temporary appointment  
16 until the next meeting of the Senate, when he or she shall  
17 appoint, by and with the advice and consent of the Senate, a  
18 person to fill that membership for the unexpired term. If the  
19 Senate is not in session when the initial appointments are  
20 made, those appointments shall be made as in the case of  
21 vacancies.

22 The Education Funding Advisory Board shall be deemed  
23 established, and the initial members appointed by the Governor  
24 to serve as members of the Board shall take office, on the date  
25 that the Governor makes his or her appointment of the fifth  
26 initial member of the Board, whether those initial members are

1 then serving pursuant to appointment and confirmation or  
2 pursuant to temporary appointments that are made by the  
3 Governor as in the case of vacancies.

4 The State Board of Education shall provide such staff  
5 assistance to the Education Funding Advisory Board as is  
6 reasonably required for the proper performance by the Board of  
7 its responsibilities.

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

22 (N) (Blank).

23 (O) References.

24 (1) References in other laws to the various subdivisions of

1 Section 18-8 as that Section existed before its repeal and  
2 replacement by this Section 18-8.05 shall be deemed to refer to  
3 the corresponding provisions of this Section 18-8.05, to the  
4 extent that those references remain applicable.

5 (2) References in other laws to State Chapter 1 funds shall  
6 be deemed to refer to the supplemental general State aid  
7 provided under subsection (H) of this Section.

8 (P) Public Act 93-838 and Public Act 93-808 make inconsistent  
9 changes to this Section. Under Section 6 of the Statute on  
10 Statutes there is an irreconcilable conflict between Public Act  
11 93-808 and Public Act 93-838. Public Act 93-838, being the last  
12 acted upon, is controlling. The text of Public Act 93-838 is  
13 the law regardless of the text of Public Act 93-808.

14 (Source: P.A. 95-331, eff. 8-21-07; 95-644, eff. 10-12-07;  
15 95-707, eff. 1-11-08; 95-744, eff. 7-18-08; 95-903, eff.  
16 8-25-08; 96-45, eff. 7-15-09; 96-152, eff. 8-7-09; 96-300, eff.  
17 8-11-09; 96-328, eff. 8-11-09; 96-640, eff. 8-24-09; 96-959,  
18 eff. 7-1-10; 96-1000, eff. 7-2-10; 96-1480, eff. 11-18-10;  
19 revised 11-24-10.)

20 Section 999. Effective date. This Act takes effect June 30,  
21 2011.