



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB2546

Introduced 2/18/2005, by Rep. Mary E. Flowers

SYNOPSIS AS INTRODUCED:

35 ILCS 5/205

from Ch. 120, par. 2-205

35 ILCS 5/205.5 new

Amends the Illinois Income Tax Act. Provides that the base income of a hospital that is exempt from the federal income tax by reason of Section 501(a) of the Internal Revenue Code is the aggregate of: (i) its unrelated business taxable income, without certain deductions; and (ii) an amount equal to the payments for goods and services made to the hospital by patients and not reimbursed by public or private insurance less the amount that the State Medicaid program would have paid for those same goods and services. Provides that the standard exemption shall not be allowed in determining the net income of a not-for-profit hospital. Effective immediately.

LRB094 09485 BDD 39736 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 205 and by adding Section 205.5 as follows:

6 (35 ILCS 5/205) (from Ch. 120, par. 2-205)

7 Sec. 205. Exempt organizations.

8 (a) Charitable, etc. organizations. The base income of an
9 organization which is exempt from the federal income tax by
10 reason of Section 501(a) of the Internal Revenue Code shall not
11 be determined under section 203 of this Act, but, except as
12 provided in Section 205.5, shall be its unrelated business
13 taxable income as determined under section 512 of the Internal
14 Revenue Code, without any deduction for the tax imposed by this
15 Act. The standard exemption provided by section 204 of this Act
16 shall not be allowed in determining the net income of an
17 organization to which this subsection applies.

18 (b) Partnerships. A partnership as such shall not be
19 subject to the tax imposed by subsection 201 (a) and (b) of
20 this Act, but shall be subject to the replacement tax imposed
21 by subsection 201 (c) and (d) of this Act and shall compute its
22 base income as described in subsection (d) of Section 203 of
23 this Act. For taxable years ending on or after December 31,
24 2004, an investment partnership, as defined in Section
25 1501(a)(11.5) of this Act, shall not be subject to the tax
26 imposed by subsections (c) and (d) of Section 201 of this Act.
27 A partnership shall file such returns and other information at
28 such time and in such manner as may be required under Article 5
29 of this Act. The partners in a partnership shall be liable for
30 the replacement tax imposed by subsection 201 (c) and (d) of
31 this Act on such partnership, to the extent such tax is not
32 paid by the partnership, as provided under the laws of Illinois

1 governing the liability of partners for the obligations of a
2 partnership. Persons carrying on business as partners shall be
3 liable for the tax imposed by subsection 201 (a) and (b) of
4 this Act only in their separate or individual capacities.

5 (c) Subchapter S corporations. A Subchapter S corporation
6 shall not be subject to the tax imposed by subsection 201 (a)
7 and (b) of this Act but shall be subject to the replacement tax
8 imposed by subsection 201 (c) and (d) of this Act and shall
9 file such returns and other information at such time and in
10 such manner as may be required under Article 5 of this Act.

11 (d) Combat zone death. An individual relieved from the
12 federal income tax for any taxable year by reason of section
13 692 of the Internal Revenue Code shall not be subject to the
14 tax imposed by this Act for such taxable year.

15 (e) Certain trusts. A common trust fund described in
16 Section 584 of the Internal Revenue Code, and any other trust
17 to the extent that the grantor is treated as the owner thereof
18 under sections 671 through 678 of the Internal Revenue Code
19 shall not be subject to the tax imposed by this Act.

20 (f) Certain business activities. A person not otherwise
21 subject to the tax imposed by this Act shall not become subject
22 to the tax imposed by this Act by reason of:

23 (1) that person's ownership of tangible personal
24 property located at the premises of a printer in this State
25 with which the person has contracted for printing, or

26 (2) activities of the person's employees or agents
27 located solely at the premises of a printer and related to
28 quality control, distribution, or printing services
29 performed by a printer in the State with which the person
30 has contracted for printing.

31 (g) A nonprofit risk organization that holds a certificate
32 of authority under Article VIID of the Illinois Insurance Code
33 is exempt from the tax imposed under this Act with respect to
34 its activities or operations in furtherance of the powers
35 conferred upon it under that Article VIID of the Illinois
36 Insurance Code.

1 (Source: P.A. 93-840, eff. 7-30-04; 93-918, eff. 1-1-05;
2 revised 10-25-04.)

3 (35 ILCS 5/205.5 new)

4 Sec. 205.5. Base income for not-for-profit hospitals. The
5 base income of a hospital that is exempt from the federal
6 income tax by reason of Section 501(a) of the Internal Revenue
7 Code is the aggregate of:

8 (1) its unrelated business taxable income as
9 determined under section 512 of the Internal Revenue Code,
10 without any deduction for the tax imposed by this Act; and

11 (2) an amount equal to the payments for goods and
12 services made to the hospital by patients and not
13 reimbursed by public or private insurance less the amount
14 that the State Medicaid program would have paid for those
15 same goods and services.

16 The standard exemption provided by section 204 of this Act
17 is not allowed in determining the net income of an organization
18 to which this Section applies.

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.