



Rep. Mike Bost

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1 AMENDMENT TO HOUSE BILL 2921

2 AMENDMENT NO. _____. Amend House Bill 2921 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Income Tax Act is amended by
5 changing Section 201 as follows:

6 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

7 Sec. 201. Tax Imposed.

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

15 (b) Rates. The tax imposed by subsection (a) of this
16 Section shall be determined as follows, except as adjusted by

1 subsection (d-1):

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

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

13 (3) In the case of an individual, trust or estate, for
14 taxable years beginning after June 30, 1989, an amount
15 equal to 3% of the taxpayer's net income for the taxable
16 year. In the case of any Governor of the State who is
17 impeached by the Illinois House of Representatives and
18 removed from office, the tax imposed by subsection (a) of
19 this Section on the portion of that individual's net income
20 that is attributable to public appearances, lectures, live
21 stage shows, radio or television appearances, or book,
22 magazine, or internet publications shall be at a rate of
23 90%.

24 (4) (Blank).

25 (5) (Blank).

26 (6) In the case of a corporation, for taxable years

1 ending prior to July 1, 1989, an amount equal to 4% of the
2 taxpayer's net income for the taxable year.

3 (7) In the case of a corporation, for taxable years
4 beginning prior to July 1, 1989 and ending after June 30,
5 1989, an amount equal to the sum of (i) 4% of the
6 taxpayer's net income for the period prior to July 1, 1989,
7 as calculated under Section 202.3, and (ii) 4.8% of the
8 taxpayer's net income for the period after June 30, 1989,
9 as calculated under Section 202.3.

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

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

26 (d) Additional Personal Property Tax Replacement Income

1 Tax Rates. The personal property tax replacement income tax
2 imposed by this subsection and subsection (c) of this Section
3 in the case of a corporation, other than a Subchapter S
4 corporation and except as adjusted by subsection (d-1), shall
5 be an additional amount equal to 2.85% of such taxpayer's net
6 income for the taxable year, except that beginning on January
7 1, 1981, and thereafter, the rate of 2.85% specified in this
8 subsection shall be reduced to 2.5%, and in the case of a
9 partnership, trust or a Subchapter S corporation shall be an
10 additional amount equal to 1.5% of such taxpayer's net income
11 for the taxable year.

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

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

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

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

16 (B) the privilege tax imposed by Section 409 of the
17 Illinois Insurance Code, the fire insurance company
18 tax imposed by Section 12 of the Fire Investigation
19 Act, and the fire department taxes imposed under
20 Section 11-10-1 of the Illinois Municipal Code,
21 equals 1.25% for taxable years ending prior to December 31,
22 2003, or 1.75% for taxable years ending on or after
23 December 31, 2003, of the net taxable premiums written for
24 the taxable year, as described by subsection (1) of Section
25 409 of the Illinois Insurance Code. This paragraph will in
26 no event increase the rates imposed under subsections (b)

1 and (d).

2 (2) Any reduction in the rates of tax imposed by this
3 subsection shall be applied first against the rates imposed
4 by subsection (b) and only after the tax imposed by
5 subsection (a) net of all credits allowed under this
6 Section other than the credit allowed under subsection (i)
7 has been reduced to zero, against the rates imposed by
8 subsection (d).

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

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

14 (1) A taxpayer shall be allowed a credit equal to .5%
15 of the basis of qualified property placed in service during
16 the taxable year, provided such property is placed in
17 service on or after July 1, 1984. There shall be allowed an
18 additional credit equal to .5% of the basis of qualified
19 property placed in service during the taxable year,
20 provided such property is placed in service on or after
21 July 1, 1986, and the taxpayer's base employment within
22 Illinois has increased by 1% or more over the preceding
23 year as determined by the taxpayer's employment records
24 filed with the Illinois Department of Employment Security.
25 Taxpayers who are new to Illinois shall be deemed to have
26 met the 1% growth in base employment for the first year in

1 which they file employment records with the Illinois
2 Department of Employment Security. The provisions added to
3 this Section by Public Act 85-1200 (and restored by Public
4 Act 87-895) shall be construed as declaratory of existing
5 law and not as a new enactment. If, in any year, the
6 increase in base employment within Illinois over the
7 preceding year is less than 1%, the additional credit shall
8 be limited to that percentage times a fraction, the
9 numerator of which is .5% and the denominator of which is
10 1%, but shall not exceed .5%. The investment credit shall
11 not be allowed to the extent that it would reduce a
12 taxpayer's liability in any tax year below zero, nor may
13 any credit for qualified property be allowed for any year
14 other than the year in which the property was placed in
15 service in Illinois. For tax years ending on or after
16 December 31, 1987, and on or before December 31, 1988, the
17 credit shall be allowed for the tax year in which the
18 property is placed in service, or, if the amount of the
19 credit exceeds the tax liability for that year, whether it
20 exceeds the original liability or the liability as later
21 amended, such excess may be carried forward and applied to
22 the tax liability of the 5 taxable years following the
23 excess credit years if the taxpayer (i) makes investments
24 which cause the creation of a minimum of 2,000 full-time
25 equivalent jobs in Illinois, (ii) is located in an
26 enterprise zone established pursuant to the Illinois

1 Enterprise Zone Act and (iii) is certified by the
2 Department of Commerce and Community Affairs (now
3 Department of Commerce and Economic Opportunity) as
4 complying with the requirements specified in clause (i) and
5 (ii) by July 1, 1986. The Department of Commerce and
6 Community Affairs (now Department of Commerce and Economic
7 Opportunity) shall notify the Department of Revenue of all
8 such certifications immediately. For tax years ending
9 after December 31, 1988, the credit shall be allowed for
10 the tax year in which the property is placed in service,
11 or, if the amount of the credit exceeds the tax liability
12 for that year, whether it exceeds the original liability or
13 the liability as later amended, such excess may be carried
14 forward and applied to the tax liability of the 5 taxable
15 years following the excess credit years. The credit shall
16 be applied to the earliest year for which there is a
17 liability. If there is credit from more than one tax year
18 that is available to offset a liability, earlier credit
19 shall be applied first.

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

22 (A) is tangible, whether new or used, including
23 buildings and structural components of buildings and
24 signs that are real property, but not including land or
25 improvements to real property that are not a structural
26 component of a building such as landscaping, sewer

1 lines, local access roads, fencing, parking lots, and
2 other appurtenances;

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

8 (C) is acquired by purchase as defined in Section
9 179(d) of the Internal Revenue Code;

10 (D) is used in Illinois by a taxpayer who is
11 primarily engaged in manufacturing, or in mining coal
12 or fluorite, or in retailing, or was placed in service
13 on or after July 1, 2006 in a River Edge Redevelopment
14 Zone established pursuant to the River Edge
15 Redevelopment Zone Act; and

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

20 (3) For purposes of this subsection (e),
21 "manufacturing" means the material staging and production
22 of tangible personal property by procedures commonly
23 regarded as manufacturing, processing, fabrication, or
24 assembling which changes some existing material into new
25 shapes, new qualities, or new combinations. For purposes of
26 this subsection (e) the term "mining" shall have the same

1 meaning as the term "mining" in Section 613(c) of the
2 Internal Revenue Code. For purposes of this subsection (e),
3 the term "retailing" means the sale of tangible personal
4 property or services rendered in conjunction with the sale
5 of tangible consumer goods or commodities.

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

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

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

16 (7) If during any taxable year, any property ceases to
17 be qualified property in the hands of the taxpayer within
18 48 months after being placed in service, or the situs of
19 any qualified property is moved outside Illinois within 48
20 months after being placed in service, the Personal Property
21 Tax Replacement Income Tax for such taxable year shall be
22 increased. Such increase shall be determined by (i)
23 recomputing the investment credit which would have been
24 allowed for the year in which credit for such property was
25 originally allowed by eliminating such property from such
26 computation and, (ii) subtracting such recomputed credit

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

6 (8) Unless the investment credit is extended by law,
7 the basis of qualified property shall not include costs
8 incurred after December 31, 2008, except for costs incurred
9 pursuant to a binding contract entered into on or before
10 December 31, 2008.

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

1 For taxable years ending on or after December 31, 2000,
2 a partner that qualifies its partnership for a subtraction
3 under subparagraph (I) of paragraph (2) of subsection (d)
4 of Section 203 or a shareholder that qualifies a Subchapter
5 S corporation for a subtraction under subparagraph (S) of
6 paragraph (2) of subsection (b) of Section 203 shall be
7 allowed a credit under this subsection (e) equal to its
8 share of the credit earned under this subsection (e) during
9 the taxable year by the partnership or Subchapter S
10 corporation, determined in accordance with the
11 determination of income and distributive share of income
12 under Sections 702 and 704 and Subchapter S of the Internal
13 Revenue Code. This paragraph is exempt from the provisions
14 of Section 250.

15 (f) Investment credit; Enterprise Zone; River Edge
16 Redevelopment Zone.

17 (1) A taxpayer shall be allowed a credit against the
18 tax imposed by subsections (a) and (b) of this Section for
19 investment in qualified property which is placed in service
20 in an Enterprise Zone created pursuant to the Illinois
21 Enterprise Zone Act or, for property placed in service on
22 or after July 1, 2006, a River Edge Redevelopment Zone
23 established pursuant to the River Edge Redevelopment Zone
24 Act. For partners, shareholders of Subchapter S
25 corporations, and owners of limited liability companies,
26 if the liability company is treated as a partnership for

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

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

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

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

6 (C) is acquired by purchase as defined in Section
7 179(d) of the Internal Revenue Code;

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

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

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

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

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

25 (6) If during any taxable year, any property ceases to
26 be qualified property in the hands of the taxpayer within

1 48 months after being placed in service, or the situs of
2 any qualified property is moved outside the Enterprise Zone
3 or River Edge Redevelopment Zone within 48 months after
4 being placed in service, the tax imposed under subsections
5 (a) and (b) of this Section for such taxable year shall be
6 increased. Such increase shall be determined by (i)
7 recomputing the investment credit which would have been
8 allowed for the year in which credit for such property was
9 originally allowed by eliminating such property from such
10 computation, and (ii) subtracting such recomputed credit
11 from the amount of credit previously allowed. For the
12 purposes of this paragraph (6), a reduction of the basis of
13 qualified property resulting from a redetermination of the
14 purchase price shall be deemed a disposition of qualified
15 property to the extent of such reduction.

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

1 records with the Illinois Department of Employment
2 Security. If, in any year, the increase in base employment
3 within Illinois over the preceding year is less than 1%,
4 the additional credit shall be limited to that percentage
5 times a fraction, the numerator of which is 0.5% and the
6 denominator of which is 1%, but shall not exceed 0.5%.

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

9 (1) A taxpayer conducting a trade or business in an
10 enterprise zone or a High Impact Business designated by the
11 Department of Commerce and Economic Opportunity or for
12 taxable years ending on or after December 31, 2006, in a
13 River Edge Redevelopment Zone conducting a trade or
14 business in a federally designated Foreign Trade Zone or
15 Sub-Zone shall be allowed a credit against the tax imposed
16 by subsections (a) and (b) of this Section in the amount of
17 \$500 per eligible employee hired to work in the zone during
18 the taxable year.

19 (2) To qualify for the credit:

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

24 (B) the taxpayer's total employment within the
25 enterprise zone, River Edge Redevelopment Zone, or
26 federally designated Foreign Trade Zone or Sub-Zone

1 must increase by 5 or more full-time employees beyond
2 the total employed in that zone at the end of the
3 previous tax year for which a jobs tax credit under
4 this Section was taken, or beyond the total employed by
5 the taxpayer as of December 31, 1985, whichever is
6 later; and

7 (C) the eligible employees must be employed 180
8 consecutive days in order to be deemed hired for
9 purposes of this subsection.

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

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

18 (B) Hired after the enterprise zone, River Edge
19 Redevelopment Zone, or federally designated Foreign
20 Trade Zone or Sub-Zone was designated or the trade or
21 business was located in that zone, whichever is later.

22 (C) Employed in the enterprise zone, River Edge
23 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
24 An employee is employed in an enterprise zone or
25 federally designated Foreign Trade Zone or Sub-Zone if
26 his services are rendered there or it is the base of

1 operations for the services performed.

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

4 (4) For tax years ending on or after December 31, 1985
5 and prior to December 31, 1988, the credit shall be allowed
6 for the tax year in which the eligible employees are hired.
7 For tax years ending on or after December 31, 1988, the
8 credit shall be allowed for the tax year immediately
9 following the tax year in which the eligible employees are
10 hired. If the amount of the credit exceeds the tax
11 liability for that year, whether it exceeds the original
12 liability or the liability as later amended, such excess
13 may be carried forward and applied to the tax liability of
14 the 5 taxable years following the excess credit year. The
15 credit shall be applied to the earliest year for which
16 there is a liability. If there is credit from more than one
17 tax year that is available to offset a liability, earlier
18 credit shall be applied first.

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

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

24 (h) Investment credit; High Impact Business.

25 (1) Subject to subsections (b) and (b-5) of Section 5.5
26 of the Illinois Enterprise Zone Act, a taxpayer shall be

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

1 on or after December 31, 1987, the credit shall be allowed
2 for the tax year in which the property is placed in
3 service, or, if the amount of the credit exceeds the tax
4 liability for that year, whether it exceeds the original
5 liability or the liability as later amended, such excess
6 may be carried forward and applied to the tax liability of
7 the 5 taxable years following the excess credit year. The
8 credit shall be applied to the earliest year for which
9 there is a liability. If there is credit from more than one
10 tax year that is available to offset a liability, the
11 credit accruing first in time shall be applied first.

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

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

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

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

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

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

1 Section.

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (k) Research and development credit.

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

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

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

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

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

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

1 (1) Environmental Remediation Tax Credit.

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

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

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

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

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

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

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

11 For purposes of this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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