



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

SB1320

Introduced 2/8/2011, by Sen. Matt Murphy

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/201	from Ch. 120, par. 2-201
35 ILCS 5/804	from Ch. 120, par. 8-804
35 ILCS 5/901	from Ch. 120, par. 9-901

Amends the Illinois Income Tax Act. Reduces the rates established under Public Act 96-1496 to (i) 3% for individuals, trusts, and estates and (ii) 4.8% for corporations. Makes corresponding changes in Sections concerning estimated taxes and distribution of proceeds into special funds. Effective immediately.

LRB097 07716 HLH 47827 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

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 Sections 201, 804, and 901 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  
17 subsection (d-1):

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

22 (2) In the case of an individual, trust or estate, for  
23 taxable years beginning prior to July 1, 1989 and ending

1 after June 30, 1989, an amount equal to the sum of (i) 2  
2 1/2% of the taxpayer's net income for the period prior to  
3 July 1, 1989, as calculated under Section 202.3, and (ii)  
4 3% of the taxpayer's net income for the period after June  
5 30, 1989, as calculated under Section 202.3.

6 (3) In the case of an individual, trust or estate, for  
7 taxable years beginning after June 30, 1989, ~~and ending~~  
8 ~~prior to January 1, 2011,~~ an amount equal to 3% of the  
9 taxpayer's net income for the taxable year.

10 (4) (Blank). ~~In the case of an individual, trust, or~~  
11 ~~estate, for taxable years beginning prior to January 1,~~  
12 ~~2011, and ending after December 31, 2010, an amount equal~~  
13 ~~to the sum of (i) 3% of the taxpayer's net income for the~~  
14 ~~period prior to January 1, 2011, as calculated under~~  
15 ~~Section 202.5, and (ii) 5% of the taxpayer's net income for~~  
16 ~~the period after December 31, 2010, as calculated under~~  
17 ~~Section 202.5.~~

18 (5) (Blank). ~~In the case of an individual, trust, or~~  
19 ~~estate, for taxable years beginning on or after January 1,~~  
20 ~~2011, and ending prior to January 1, 2015, an amount equal~~  
21 ~~to 5% of the taxpayer's net income for the taxable year.~~

22 (5.1) (Blank). ~~In the case of an individual, trust, or~~  
23 ~~estate, for taxable years beginning prior to January 1,~~  
24 ~~2015, and ending after December 31, 2014, an amount equal~~  
25 ~~to the sum of (i) 5% of the taxpayer's net income for the~~  
26 ~~period prior to January 1, 2015, as calculated under~~

1 ~~Section 202.5, and (ii) 3.75% of the taxpayer's net income~~  
2 ~~for the period after December 31, 2014, as calculated under~~  
3 ~~Section 202.5.~~

4 (5.2) (Blank). ~~In the case of an individual, trust, or~~  
5 ~~estate, for taxable years beginning on or after January 1,~~  
6 ~~2015, and ending prior to January 1, 2025, an amount equal~~  
7 ~~to 3.75% of the taxpayer's net income for the taxable year.~~

8 (5.3) (Blank). ~~In the case of an individual, trust, or~~  
9 ~~estate, for taxable years beginning prior to January 1,~~  
10 ~~2025, and ending after December 31, 2024, an amount equal~~  
11 ~~to the sum of (i) 3.75% of the taxpayer's net income for~~  
12 ~~the period prior to January 1, 2025, as calculated under~~  
13 ~~Section 202.5, and (ii) 3.25% of the taxpayer's net income~~  
14 ~~for the period after December 31, 2024, as calculated under~~  
15 ~~Section 202.5.~~

16 (5.4) (Blank). ~~In the case of an individual, trust, or~~  
17 ~~estate, for taxable years beginning on or after January 1,~~  
18 ~~2025, an amount equal to 3.25% of the taxpayer's net income~~  
19 ~~for the taxable year.~~

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

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

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

4 (8) In the case of a corporation, for taxable years  
5 beginning after June 30, 1989, ~~and ending prior to January~~  
6 ~~1, 2011,~~ an amount equal to 4.8% of the taxpayer's net  
7 income for the taxable year.

8 (9) (Blank). ~~In the case of a corporation, for taxable~~  
9 ~~years beginning prior to January 1, 2011, and ending after~~  
10 ~~December 31, 2010, an amount equal to the sum of (i) 4.8%~~  
11 ~~of the taxpayer's net income for the period prior to~~  
12 ~~January 1, 2011, as calculated under Section 202.5, and~~  
13 ~~(ii) 7% of the taxpayer's net income for the period after~~  
14 ~~December 31, 2010, as calculated under Section 202.5.~~

15 (10) (Blank). ~~In the case of a corporation, for taxable~~  
16 ~~years beginning on or after January 1, 2011, and ending~~  
17 ~~prior to January 1, 2015, an amount equal to 7% of the~~  
18 ~~taxpayer's net income for the taxable year.~~

19 (11) (Blank). ~~In the case of a corporation, for taxable~~  
20 ~~years beginning prior to January 1, 2015, and ending after~~  
21 ~~December 31, 2014, an amount equal to the sum of (i) 7% of~~  
22 ~~the taxpayer's net income for the period prior to January~~  
23 ~~1, 2015, as calculated under Section 202.5, and (ii) 5.25%~~  
24 ~~of the taxpayer's net income for the period after December~~  
25 ~~31, 2014, as calculated under Section 202.5.~~

26 (12) (Blank). ~~In the case of a corporation, for taxable~~

1 ~~years beginning on or after January 1, 2015, and ending~~  
2 ~~prior to January 1, 2025, an amount equal to 5.25% of the~~  
3 ~~taxpayer's net income for the taxable year.~~

4 (13) (Blank). ~~In the case of a corporation, for taxable~~  
5 ~~years beginning prior to January 1, 2025, and ending after~~  
6 ~~December 31, 2024, an amount equal to the sum of (i) 5.25%~~  
7 ~~of the taxpayer's net income for the period prior to~~  
8 ~~January 1, 2025, as calculated under Section 202.5, and~~  
9 ~~(ii) 4.8% of the taxpayer's net income for the period after~~  
10 ~~December 31, 2024, as calculated under Section 202.5.~~

11 (14) (Blank). ~~In the case of a corporation, for taxable~~  
12 ~~years beginning on or after January 1, 2025, an amount~~  
13 ~~equal to 4.8% of the taxpayer's net income for the taxable~~  
14 ~~year.~~

15 The rates under this subsection (b) are subject to the  
16 provisions of Section 201.5.

17 (b-5) It is the intention of the General Assembly that this  
18 amendatory Act of the 97th General Assembly supersedes Public  
19 Act 96-1496. The rates under subsection (b) shall be deemed to  
20 be 3% for individuals, trusts, and estates and 4.8% for  
21 corporations for the entire period beginning on the effective  
22 date of Public Act 96-1496 through the effective date of this  
23 amendatory Act of the 97th General Assembly and thereafter.

24 (c) Personal Property Tax Replacement Income Tax.  
25 Beginning on July 1, 1979 and thereafter, in addition to such  
26 income tax, there is also hereby imposed the Personal Property

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

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

23 (d-1) Rate reduction for certain foreign insurers. In the  
24 case of a foreign insurer, as defined by Section 35A-5 of the  
25 Illinois Insurance Code, whose state or country of domicile  
26 imposes on insurers domiciled in Illinois a retaliatory tax

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

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

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



1 (B) the privilege tax imposed by Section 409 of the  
2 Illinois Insurance Code, the fire insurance company  
3 tax imposed by Section 12 of the Fire Investigation  
4 Act, and the fire department taxes imposed under  
5 Section 11-10-1 of the Illinois Municipal Code,  
6 equals 1.25% for taxable years ending prior to December 31,  
7 2003, or 1.75% for taxable years ending on or after  
8 December 31, 2003, of the net taxable premiums written for  
9 the taxable year, as described by subsection (1) of Section  
10 409 of the Illinois Insurance Code. This paragraph will in  
11 no event increase the rates imposed under subsections (b)  
12 and (d).

13 (2) Any reduction in the rates of tax imposed by this  
14 subsection shall be applied first against the rates imposed  
15 by subsection (b) and only after the tax imposed by  
16 subsection (a) net of all credits allowed under this  
17 Section other than the credit allowed under subsection (i)  
18 has been reduced to zero, against the rates imposed by  
19 subsection (d).

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

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

25 (1) A taxpayer shall be allowed a credit equal to .5%  
26 of the basis of qualified property placed in service during

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

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

1 be applied to the earliest year for which there is a  
2 liability. If there is credit from more than one tax year  
3 that is available to offset a liability, earlier credit  
4 shall be applied first.

5 (2) The term "qualified property" means property  
6 which:

7 (A) is tangible, whether new or used, including  
8 buildings and structural components of buildings and  
9 signs that are real property, but not including land or  
10 improvements to real property that are not a structural  
11 component of a building such as landscaping, sewer  
12 lines, local access roads, fencing, parking lots, and  
13 other appurtenances;

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

19 (C) is acquired by purchase as defined in Section  
20 179(d) of the Internal Revenue Code;

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

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

5           (3) For purposes of this subsection (e),  
6           "manufacturing" means the material staging and production  
7           of tangible personal property by procedures commonly  
8           regarded as manufacturing, processing, fabrication, or  
9           assembling which changes some existing material into new  
10          shapes, new qualities, or new combinations. For purposes of  
11          this subsection (e) the term "mining" shall have the same  
12          meaning as the term "mining" in Section 613(c) of the  
13          Internal Revenue Code. For purposes of this subsection (e),  
14          the term "retailing" means the sale of tangible personal  
15          property for use or consumption and not for resale, or  
16          services rendered in conjunction with the sale of tangible  
17          personal property for use or consumption and not for  
18          resale. For purposes of this subsection (e), "tangible  
19          personal property" has the same meaning as when that term  
20          is used in the Retailers' Occupation Tax Act, and, for  
21          taxable years ending after December 31, 2008, does not  
22          include the generation, transmission, or distribution of  
23          electricity.

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

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

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

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

24           (8) Unless the investment credit is extended by law,  
25 the basis of qualified property shall not include costs  
26 incurred after December 31, 2013, except for costs incurred

1           pursuant to a binding contract entered into on or before  
2           December 31, 2013.

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

19          For taxable years ending on or after December 31, 2000,  
20          a partner that qualifies its partnership for a subtraction  
21          under subparagraph (I) of paragraph (2) of subsection (d)  
22          of Section 203 or a shareholder that qualifies a Subchapter  
23          S corporation for a subtraction under subparagraph (S) of  
24          paragraph (2) of subsection (b) of Section 203 shall be  
25          allowed a credit under this subsection (e) equal to its  
26          share of the credit earned under this subsection (e) during

1 the taxable year by the partnership or Subchapter S  
2 corporation, determined in accordance with the  
3 determination of income and distributive share of income  
4 under Sections 702 and 704 and Subchapter S of the Internal  
5 Revenue Code. This paragraph is exempt from the provisions  
6 of Section 250.

7 (f) Investment credit; Enterprise Zone; River Edge  
8 Redevelopment Zone.

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



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

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

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

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

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

26 (D) is used in the Enterprise Zone or River Edge

1           Redevelopment Zone by the taxpayer; and

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

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

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

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

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

1 originally allowed by eliminating such property from such  
2 computation, and (ii) subtracting such recomputed credit  
3 from the amount of credit previously allowed. For the  
4 purposes of this paragraph (6), a reduction of the basis of  
5 qualified property resulting from a redetermination of the  
6 purchase price shall be deemed a disposition of qualified  
7 property to the extent of such reduction.

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

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

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

11          (2) To qualify for the credit:

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

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

25                (C) the eligible employees must be employed 180  
26                consecutive days in order to be deemed hired for

1 purposes of this subsection.

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

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

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

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

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

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

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

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

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

16 (h) Investment credit; High Impact Business.

17 (1) Subject to subsections (b) and (b-5) of Section 5.5  
18 of the Illinois Enterprise Zone Act, a taxpayer shall be  
19 allowed a credit against the tax imposed by subsections (a)  
20 and (b) of this Section for investment in qualified  
21 property which is placed in service by a Department of  
22 Commerce and Economic Opportunity designated High Impact  
23 Business. The credit shall be .5% of the basis for such  
24 property. The credit shall not be available (i) until the  
25 minimum investments in qualified property set forth in  
26 subdivision (a)(3)(A) of Section 5.5 of the Illinois

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

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

4           Changes made in this subdivision (h) (1) by Public Act  
5           88-670 restore changes made by Public Act 85-1182 and  
6           reflect existing law.

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

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

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

15                   (C) is acquired by purchase as defined in Section  
16                   179(d) of the Internal Revenue Code; and

17                   (D) is not eligible for the Enterprise Zone  
18                   Investment Credit provided by subsection (f) of this  
19                   Section.

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

23           (4) If the basis of the property for federal income tax  
24           depreciation purposes is increased after it has been placed  
25           in service in a federally designated Foreign Trade Zone or  
26           Sub-Zone located in Illinois by the taxpayer, the amount of



1           such increase shall be deemed property placed in service on  
2           the date of such increase in basis.

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

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

23          (7) Beginning with tax years ending after December 31,  
24          1996, if a taxpayer qualifies for the credit under this  
25          subsection (h) and thereby is granted a tax abatement and  
26          the taxpayer relocates its entire facility in violation of

1 the explicit terms and length of the contract under Section  
2 18-183 of the Property Tax Code, the tax imposed under  
3 subsections (a) and (b) of this Section shall be increased  
4 for the taxable year in which the taxpayer relocated its  
5 facility by an amount equal to the amount of credit  
6 received by the taxpayer under this subsection (h).

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

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

1 liability. If there is a credit under this subsection from more  
2 than one tax year that is available to offset a liability the  
3 earliest credit arising under this subsection shall be applied  
4 first.

5 If, during any taxable year ending on or after December 31,  
6 1986, the tax imposed by subsections (c) and (d) of this  
7 Section for which a taxpayer has claimed a credit under this  
8 subsection (i) is reduced, the amount of credit for such tax  
9 shall also be reduced. Such reduction shall be determined by  
10 recomputing the credit to take into account the reduced tax  
11 imposed by subsections (c) and (d). If any portion of the  
12 reduced amount of credit has been carried to a different  
13 taxable year, an amended return shall be filed for such taxable  
14 year to reduce the amount of credit claimed.

15 (j) Training expense credit. Beginning with tax years  
16 ending on or after December 31, 1986 and prior to December 31,  
17 2003, a taxpayer shall be allowed a credit against the tax  
18 imposed by subsections (a) and (b) under this Section for all  
19 amounts paid or accrued, on behalf of all persons employed by  
20 the taxpayer in Illinois or Illinois residents employed outside  
21 of Illinois by a taxpayer, for educational or vocational  
22 training in semi-technical or technical fields or semi-skilled  
23 or skilled fields, which were deducted from gross income in the  
24 computation of taxable income. The credit against the tax  
25 imposed by subsections (a) and (b) shall be 1.6% of such  
26 training expenses. For partners, shareholders of subchapter S

1 corporations, and owners of limited liability companies, if the  
2 liability company is treated as a partnership for purposes of  
3 federal and State income taxation, there shall be allowed a  
4 credit under this subsection (j) to be determined in accordance  
5 with the determination of income and distributive share of  
6 income under Sections 702 and 704 and subchapter S of the  
7 Internal Revenue Code.

8 Any credit allowed under this subsection which is unused in  
9 the year the credit is earned may be carried forward to each of  
10 the 5 taxable years following the year for which the credit is  
11 first computed until it is used. This credit shall be applied  
12 first to the earliest year for which there is a liability. If  
13 there is a credit under this subsection from more than one tax  
14 year that is available to offset a liability the earliest  
15 credit arising under this subsection shall be applied first. No  
16 carryforward credit may be claimed in any tax year ending on or  
17 after December 31, 2003.

18 (k) Research and development credit.

19 For tax years ending after July 1, 1990 and prior to  
20 December 31, 2003, and beginning again for tax years ending on  
21 or after December 31, 2004, and ending prior to January 1,  
22 2011, a taxpayer shall be allowed a credit against the tax  
23 imposed by subsections (a) and (b) of this Section for  
24 increasing research activities in this State. The credit  
25 allowed against the tax imposed by subsections (a) and (b)  
26 shall be equal to 6 1/2% of the qualifying expenditures for

1 increasing research activities in this State. For partners,  
2 shareholders of subchapter S corporations, and owners of  
3 limited liability companies, if the liability company is  
4 treated as a partnership for purposes of federal and State  
5 income taxation, there shall be allowed a credit under this  
6 subsection to be determined in accordance with the  
7 determination of income and distributive share of income under  
8 Sections 702 and 704 and subchapter S of the Internal Revenue  
9 Code.

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

23 Any credit in excess of the tax liability for the taxable  
24 year may be carried forward. A taxpayer may elect to have the  
25 unused credit shown on its final completed return carried over  
26 as a credit against the tax liability for the following 5

1 taxable years or until it has been fully used, whichever occurs  
2 first; provided that no credit earned in a tax year ending  
3 prior to December 31, 2003 may be carried forward to any year  
4 ending on or after December 31, 2003, and no credit may be  
5 carried forward to any taxable year ending on or after January  
6 1, 2011.

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

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

22 (1) Environmental Remediation Tax Credit.

23 (i) For tax years ending after December 31, 1997 and on  
24 or before December 31, 2001, a taxpayer shall be allowed a  
25 credit against the tax imposed by subsections (a) and (b)  
26 of this Section for certain amounts paid for unreimbursed

1 eligible remediation costs, as specified in this  
2 subsection. For purposes of this Section, "unreimbursed  
3 eligible remediation costs" means costs approved by the  
4 Illinois Environmental Protection Agency ("Agency") under  
5 Section 58.14 of the Environmental Protection Act that were  
6 paid in performing environmental remediation at a site for  
7 which a No Further Remediation Letter was issued by the  
8 Agency and recorded under Section 58.10 of the  
9 Environmental Protection Act. The credit must be claimed  
10 for the taxable year in which Agency approval of the  
11 eligible remediation costs is granted. The credit is not  
12 available to any taxpayer if the taxpayer or any related  
13 party caused or contributed to, in any material respect, a  
14 release of regulated substances on, in, or under the site  
15 that was identified and addressed by the remedial action  
16 pursuant to the Site Remediation Program of the  
17 Environmental Protection Act. After the Pollution Control  
18 Board rules are adopted pursuant to the Illinois  
19 Administrative Procedure Act for the administration and  
20 enforcement of Section 58.9 of the Environmental  
21 Protection Act, determinations as to credit availability  
22 for purposes of this Section shall be made consistent with  
23 those rules. For purposes of this Section, "taxpayer"  
24 includes a person whose tax attributes the taxpayer has  
25 succeeded to under Section 381 of the Internal Revenue Code  
26 and "related party" includes the persons disallowed a

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

18 (ii) A credit allowed under this subsection that is  
19 unused in the year the credit is earned may be carried  
20 forward to each of the 5 taxable years following the year  
21 for which the credit is first earned until it is used. The  
22 term "unused credit" does not include any amounts of  
23 unreimbursed eligible remediation costs in excess of the  
24 maximum credit per site authorized under paragraph (i).  
25 This credit shall be applied first to the earliest year for  
26 which there is a liability. If there is a credit under this



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

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

20 (m) Education expense credit. Beginning with tax years  
21 ending after December 31, 1999, a taxpayer who is the custodian  
22 of one or more qualifying pupils shall be allowed a credit  
23 against the tax imposed by subsections (a) and (b) of this  
24 Section for qualified education expenses incurred on behalf of  
25 the qualifying pupils. The credit shall be equal to 25% of  
26 qualified education expenses, but in no event may the total

1 credit under this subsection claimed by a family that is the  
2 custodian of qualifying pupils exceed \$500. In no event shall a  
3 credit under this subsection reduce the taxpayer's liability  
4 under this Act to less than zero. This subsection is exempt  
5 from the provisions of Section 250 of this Act.

6 For purposes of this subsection:

7 "Qualifying pupils" means individuals who (i) are  
8 residents of the State of Illinois, (ii) are under the age of  
9 21 at the close of the school year for which a credit is  
10 sought, and (iii) during the school year for which a credit is  
11 sought were full-time pupils enrolled in a kindergarten through  
12 twelfth grade education program at any school, as defined in  
13 this subsection.

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

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

25 "Custodian" means, with respect to qualifying pupils, an  
26 Illinois resident who is a parent, the parents, a legal

1 guardian, or the legal guardians of the qualifying pupils.

2 (n) River Edge Redevelopment Zone site remediation tax  
3 credit.

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

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

14 (ii) A credit allowed under this subsection that is  
15 unused in the year the credit is earned may be carried  
16 forward to each of the 5 taxable years following the year  
17 for which the credit is first earned until it is used. This  
18 credit shall be applied first to the earliest year for  
19 which there is a liability. If there is a credit under this  
20 subsection from more than one tax year that is available to  
21 offset a liability, the earliest credit arising under this  
22 subsection shall be applied first. A credit allowed under  
23 this subsection may be sold to a buyer as part of a sale of  
24 all or part of the remediation site for which the credit  
25 was granted. The purchaser of a remediation site and the  
26 tax credit shall succeed to the unused credit and remaining

1 carry-forward period of the seller. To perfect the  
2 transfer, the assignor shall record the transfer in the  
3 chain of title for the site and provide written notice to  
4 the Director of the Illinois Department of Revenue of the  
5 assignor's intent to sell the remediation site and the  
6 amount of the tax credit to be transferred as a portion of  
7 the sale. In no event may a credit be transferred to any  
8 taxpayer if the taxpayer or a related party would not be  
9 eligible under the provisions of subsection (i).

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

13 (iv) This subsection is exempt from the provisions of  
14 Section 250.

15 (Source: P.A. 95-454, eff. 8-27-07; 96-115, eff. 7-31-09;  
16 96-116, eff. 7-31-09; 96-937, eff. 6-23-10; 96-1000, eff.  
17 7-2-10; 96-1496, eff. 1-13-11.)

18 (35 ILCS 5/804) (from Ch. 120, par. 8-804)

19 Sec. 804. Failure to Pay Estimated Tax.

20 (a) In general. In case of any underpayment of estimated  
21 tax by a taxpayer, except as provided in subsection (d) or (e),  
22 the taxpayer shall be liable to a penalty in an amount  
23 determined at the rate prescribed by Section 3-3 of the Uniform  
24 Penalty and Interest Act upon the amount of the underpayment  
25 (determined under subsection (b)) for each required

1 installment.

2 (b) Amount of underpayment. For purposes of subsection (a),  
3 the amount of the underpayment shall be the excess of:

4 (1) the amount of the installment which would be  
5 required to be paid under subsection (c), over

6 (2) the amount, if any, of the installment paid on or  
7 before the last date prescribed for payment.

8 (c) Amount of Required Installments.

9 (1) Amount.

10 (A) In General. Except as provided in paragraph  
11 (2), the amount of any required installment shall be  
12 25% of the required annual payment.

13 (B) Required Annual Payment. For purposes of  
14 subparagraph (A), the term "required annual payment"  
15 means the lesser of

16 (i) 90% of the tax shown on the return for the  
17 taxable year, or if no return is filed, 90% of the  
18 tax for such year, or

19 ~~(ii) for installments due prior to February 1,~~  
20 ~~2011, and after January 31, 2012,~~ 100% of the tax  
21 shown on the return of the taxpayer for the  
22 preceding taxable year if a return showing a  
23 liability for tax was filed by the taxpayer for the  
24 preceding taxable year and such preceding year was  
25 a taxable year of 12 months. ~~or~~

26 ~~(iii) for installments due after January 31,~~

1           ~~2011, and prior to February 1, 2012, 150% of the~~  
2           ~~tax shown on the return of the taxpayer for the~~  
3           ~~preceding taxable year if a return showing a~~  
4           ~~liability for tax was filed by the taxpayer for the~~  
5           ~~preceding taxable year and such preceding year was~~  
6           ~~a taxable year of 12 months.~~

7           (2) Lower Required Installment where Annualized Income  
8           Installment is Less Than Amount Determined Under Paragraph  
9           (1).

10           (A) In General. In the case of any required  
11           installment if a taxpayer establishes that the  
12           annualized income installment is less than the amount  
13           determined under paragraph (1),

14                   (i) the amount of such required installment  
15                   shall be the annualized income installment, and

16                   (ii) any reduction in a required installment  
17                   resulting from the application of this  
18                   subparagraph shall be recaptured by increasing the  
19                   amount of the next required installment determined  
20                   under paragraph (1) by the amount of such  
21                   reduction, and by increasing subsequent required  
22                   installments to the extent that the reduction has  
23                   not previously been recaptured under this clause.

24           (B) Determination of Annualized Income  
25           Installment. In the case of any required installment,  
26           the annualized income installment is the excess, if

1 any, of

2 (i) an amount equal to the applicable  
3 percentage of the tax for the taxable year computed  
4 by placing on an annualized basis the net income  
5 for months in the taxable year ending before the  
6 due date for the installment, over

7 (ii) the aggregate amount of any prior  
8 required installments for the taxable year.

9 (C) Applicable Percentage.

10	In the case of the following	The applicable
11	required installments:	percentage is:
12	1st.....	22.5%
13	2nd.....	45%
14	3rd.....	67.5%
15	4th.....	90%

16 (D) Annualized Net Income; Individuals. For  
17 individuals, net income shall be placed on an  
18 annualized basis by:

19 (i) multiplying by 12, or in the case of a  
20 taxable year of less than 12 months, by the number  
21 of months in the taxable year, the net income  
22 computed without regard to the standard exemption  
23 for the months in the taxable year ending before  
24 the month in which the installment is required to  
25 be paid;

26 (ii) dividing the resulting amount by the



1           number of months in the taxable year ending before  
2           the month in which such installment date falls; and

3                   (iii) deducting from such amount the standard  
4           exemption allowable for the taxable year, such  
5           standard exemption being determined as of the last  
6           date prescribed for payment of the installment.

7           (E) Annualized Net Income; Corporations. For  
8           corporations, net income shall be placed on an  
9           annualized basis by multiplying by 12 the taxable  
10          income

11                   (i) for the first 3 months of the taxable year,  
12          in the case of the installment required to be paid  
13          in the 4th month,

14                   (ii) for the first 3 months or for the first 5  
15          months of the taxable year, in the case of the  
16          installment required to be paid in the 6th month,

17                   (iii) for the first 6 months or for the first 8  
18          months of the taxable year, in the case of the  
19          installment required to be paid in the 9th month,  
20          and

21                   (iv) for the first 9 months or for the first 11  
22          months of the taxable year, in the case of the  
23          installment required to be paid in the 12th month  
24          of the taxable year,

25          then dividing the resulting amount by the number of  
26          months in the taxable year (3, 5, 6, 8, 9, or 11 as the

1 case may be).

2 (d) Exceptions. Notwithstanding the provisions of the  
3 preceding subsections, the penalty imposed by subsection (a)  
4 shall not be imposed if the taxpayer was not required to file  
5 an Illinois income tax return for the preceding taxable year,  
6 or, for individuals, if the taxpayer had no tax liability for  
7 the preceding taxable year and such year was a taxable year of  
8 12 months. The penalty imposed by subsection (a) shall also not  
9 be imposed on any underpayments of estimated tax due before the  
10 effective date of this amendatory Act of 1998 which  
11 underpayments are solely attributable to the change in  
12 apportionment from subsection (a) to subsection (h) of Section  
13 304. The provisions of this amendatory Act of 1998 apply to tax  
14 years ending on or after December 31, 1998.

15 (e) The penalty imposed for underpayment of estimated tax  
16 by subsection (a) of this Section shall not be imposed to the  
17 extent that the Director or his or her designate determines,  
18 pursuant to Section 3-8 of the Uniform Penalty and Interest Act  
19 that the penalty should not be imposed.

20 (f) Definition of tax. For purposes of subsections (b) and  
21 (c), the term "tax" means the excess of the tax imposed under  
22 Article 2 of this Act, over the amounts credited against such  
23 tax under Sections 601(b) (3) and (4).

24 (g) Application of Section in case of tax withheld under  
25 Article 7. For purposes of applying this Section:

26 (1) in the case of an individual, tax withheld from

1 compensation for the taxable year shall be deemed a payment  
2 of estimated tax, and an equal part of such amount shall be  
3 deemed paid on each installment date for such taxable year,  
4 unless the taxpayer establishes the dates on which all  
5 amounts were actually withheld, in which case the amounts  
6 so withheld shall be deemed payments of estimated tax on  
7 the dates on which such amounts were actually withheld;

8 (2) amounts timely paid by a partnership, Subchapter S  
9 corporation, or trust on behalf of a partner, shareholder,  
10 or beneficiary pursuant to subsection (f) of Section 502 or  
11 Section 709.5 and claimed as a payment of estimated tax  
12 shall be deemed a payment of estimated tax made on the last  
13 day of the taxable year of the partnership, Subchapter S  
14 corporation, or trust for which the income from the  
15 withholding is made was computed; and

16 (3) all other amounts pursuant to Article 7 shall be  
17 deemed a payment of estimated tax on the date the payment  
18 is made to the taxpayer of the amount from which the tax is  
19 withheld.

20 (g-5) Amounts withheld under the State Salary and Annuity  
21 Withholding Act. An individual who has amounts withheld under  
22 paragraph (10) of Section 4 of the State Salary and Annuity  
23 Withholding Act may elect to have those amounts treated as  
24 payments of estimated tax made on the dates on which those  
25 amounts are actually withheld.

26 (i) Short taxable year. The application of this Section to

1 taxable years of less than 12 months shall be in accordance  
2 with regulations prescribed by the Department.

3 The changes in this Section made by Public Act 84-127 shall  
4 apply to taxable years ending on or after January 1, 1986.

5 (Source: P.A. 95-233, eff. 8-16-07; 96-1496, eff. 1-13-11.)

6 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

7 Sec. 901. Collection Authority.

8 (a) In general.

9 The Department shall collect the taxes imposed by this Act.  
10 The Department shall collect certified past due child support  
11 amounts under Section 2505-650 of the Department of Revenue Law  
12 (20 ILCS 2505/2505-650). Except as provided in subsections (c),  
13 (e), (f), and (g) of this Section, money collected pursuant to  
14 subsections (a) and (b) of Section 201 of this Act shall be  
15 paid into the General Revenue Fund in the State treasury; money  
16 collected pursuant to subsections (c) and (d) of Section 201 of  
17 this Act shall be paid into the Personal Property Tax  
18 Replacement Fund, a special fund in the State Treasury; and  
19 money collected under Section 2505-650 of the Department of  
20 Revenue Law (20 ILCS 2505/2505-650) shall be paid into the  
21 Child Support Enforcement Trust Fund, a special fund outside  
22 the State Treasury, or to the State Disbursement Unit  
23 established under Section 10-26 of the Illinois Public Aid  
24 Code, as directed by the Department of Healthcare and Family  
25 Services.

1 (b) Local Government Distributive Fund.

2 Beginning August 1, 1969, and continuing through June 30,  
3 1994, the Treasurer shall transfer each month from the General  
4 Revenue Fund to a special fund in the State treasury, to be  
5 known as the "Local Government Distributive Fund", an amount  
6 equal to 1/12 of the net revenue realized from the tax imposed  
7 by subsections (a) and (b) of Section 201 of this Act during  
8 the preceding month. Beginning July 1, 1994, and continuing  
9 through June 30, 1995, the Treasurer shall transfer each month  
10 from the General Revenue Fund to the Local Government  
11 Distributive Fund an amount equal to 1/11 of the net revenue  
12 realized from the tax imposed by subsections (a) and (b) of  
13 Section 201 of this Act during the preceding month. Beginning  
14 July 1, 1995 and continuing through January 31, 2011, the  
15 Treasurer shall transfer each month from the General Revenue  
16 Fund to the Local Government Distributive Fund an amount equal  
17 to the net of (i) 1/10 of the net revenue realized from the tax  
18 imposed by subsections (a) and (b) of Section 201 of the  
19 Illinois Income Tax Act during the preceding month (ii) minus,  
20 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,  
21 and beginning July 1, 2004, zero. Beginning February 1, 2011,  
22 and continuing through the first day of the first month to  
23 occur not less than 30 days after the effective date of this  
24 amendatory Act of the 97th General Assembly ~~January 31, 2015,~~  
25 the Treasurer shall transfer each month from the General  
26 Revenue Fund to the Local Government Distributive Fund an

1 amount equal to the sum of (i) 6% (10% of the ratio of the 3%  
2 individual income tax rate prior to 2011 to the 5% individual  
3 income tax rate after 2010) of the net revenue realized from  
4 the tax imposed by subsections (a) and (b) of Section 201 of  
5 this Act upon individuals, trusts, and estates during the  
6 preceding month and (ii) 6.86% (10% of the ratio of the 4.8%  
7 corporate income tax rate prior to 2011 to the 7% corporate  
8 income tax rate after 2010) of the net revenue realized from  
9 the tax imposed by subsections (a) and (b) of Section 201 of  
10 this Act upon corporations during the preceding month.  
11 Beginning on the first day of the first month to occur not less  
12 than 30 days after the effective date of this amendatory Act of  
13 the 97th General Assembly, the State Comptroller shall order  
14 transferred and the State Treasurer shall transfer each month  
15 from the General Revenue Fund to the Local Government  
16 Distributive Fund an amount equal to 1/10 of the net revenue  
17 realized from the tax imposed by subsections (a) and (b) of  
18 Section 201 of the Illinois Income Tax Act during the preceding  
19 month. Beginning February 1, 2015 and continuing through  
20 January 31, 2025, the Treasurer shall transfer each month from  
21 the General Revenue Fund to the Local Government Distributive  
22 Fund an amount equal to the sum of (i) 8% (10% of the ratio of  
23 the 3% individual income tax rate prior to 2011 to the 3.75%  
24 individual income tax rate after 2014) of the net revenue  
25 realized from the tax imposed by subsections (a) and (b) of  
26 Section 201 of this Act upon individuals, trusts, and estates

1 ~~during the preceding month and (ii) 9.14% (10% of the ratio of~~  
2 ~~the 4.8% corporate income tax rate prior to 2011 to the 5.25%~~  
3 ~~corporate income tax rate after 2014) of the net revenue~~  
4 ~~realized from the tax imposed by subsections (a) and (b) of~~  
5 ~~Section 201 of this Act upon corporations during the preceding~~  
6 ~~month. Beginning February 1, 2025, the Treasurer shall transfer~~  
7 ~~each month from the General Revenue Fund to the Local~~  
8 ~~Government Distributive Fund an amount equal to the sum of (i)~~  
9 ~~9.23% (10% of the ratio of the 3% individual income tax rate~~  
10 ~~prior to 2011 to the 3.25% individual income tax rate after~~  
11 ~~2024) of the net revenue realized from the tax imposed by~~  
12 ~~subsections (a) and (b) of Section 201 of this Act upon~~  
13 ~~individuals, trusts, and estates during the preceding month and~~  
14 ~~(ii) 10% of the net revenue realized from the tax imposed by~~  
15 ~~subsections (a) and (b) of Section 201 of this Act upon~~  
16 ~~corporations during the preceding month. Net revenue realized~~  
17 ~~for a month shall be defined as the revenue from the tax~~  
18 ~~imposed by subsections (a) and (b) of Section 201 of this Act~~  
19 ~~which is deposited in the General Revenue Fund, the Education~~  
20 ~~Assistance Fund, the Income Tax Surcharge Local Government~~  
21 ~~Distributive Fund, the Fund for the Advancement of Education,~~  
22 ~~and the Commitment to Human Services Fund during the month~~  
23 ~~minus the amount paid out of the General Revenue Fund in State~~  
24 ~~warrants during that same month as refunds to taxpayers for~~  
25 ~~overpayment of liability under the tax imposed by subsections~~  
26 ~~(a) and (b) of Section 201 of this Act.~~

1 (c) Deposits Into Income Tax Refund Fund.

2 (1) Beginning on January 1, 1989 and thereafter, the  
3 Department shall deposit a percentage of the amounts  
4 collected pursuant to subsections (a) and (b)(1), (2), and  
5 (3), of Section 201 of this Act into a fund in the State  
6 treasury known as the Income Tax Refund Fund. The  
7 Department shall deposit 6% of such amounts during the  
8 period beginning January 1, 1989 and ending on June 30,  
9 1989. Beginning with State fiscal year 1990 and for each  
10 fiscal year thereafter, the percentage deposited into the  
11 Income Tax Refund Fund during a fiscal year shall be the  
12 Annual Percentage. For fiscal years 1999 through 2001, the  
13 Annual Percentage shall be 7.1%. For fiscal year 2003, the  
14 Annual Percentage shall be 8%. For fiscal year 2004, the  
15 Annual Percentage shall be 11.7%. Upon the effective date  
16 of this amendatory Act of the 93rd General Assembly, the  
17 Annual Percentage shall be 10% for fiscal year 2005. For  
18 fiscal year 2006, the Annual Percentage shall be 9.75%. For  
19 fiscal year 2007, the Annual Percentage shall be 9.75%. For  
20 fiscal year 2008, the Annual Percentage shall be 7.75%. For  
21 fiscal year 2009, the Annual Percentage shall be 9.75%. For  
22 fiscal year 2010, the Annual Percentage shall be 9.75%. For  
23 fiscal year 2011, the Annual Percentage shall be 8.75%. For  
24 all other fiscal years, the Annual Percentage shall be  
25 calculated as a fraction, the numerator of which shall be  
26 the amount of refunds approved for payment by the



1 Department during the preceding fiscal year as a result of  
2 overpayment of tax liability under subsections (a) and  
3 (b) (1), (2), and (3) of Section 201 of this Act plus the  
4 amount of such refunds remaining approved but unpaid at the  
5 end of the preceding fiscal year, minus the amounts  
6 transferred into the Income Tax Refund Fund from the  
7 Tobacco Settlement Recovery Fund, and the denominator of  
8 which shall be the amounts which will be collected pursuant  
9 to subsections (a) and (b) (1), (2), and (3) of Section 201  
10 of this Act during the preceding fiscal year; except that  
11 in State fiscal year 2002, the Annual Percentage shall in  
12 no event exceed 7.6%. The Director of Revenue shall certify  
13 the Annual Percentage to the Comptroller on the last  
14 business day of the fiscal year immediately preceding the  
15 fiscal year for which it is to be effective.

16 (2) Beginning on January 1, 1989 and thereafter, the  
17 Department shall deposit a percentage of the amounts  
18 collected pursuant to subsections (a) and (b) (6), (7), and  
19 (8), (c) and (d) of Section 201 of this Act into a fund in  
20 the State treasury known as the Income Tax Refund Fund. The  
21 Department shall deposit 18% of such amounts during the  
22 period beginning January 1, 1989 and ending on June 30,  
23 1989. Beginning with State fiscal year 1990 and for each  
24 fiscal year thereafter, the percentage deposited into the  
25 Income Tax Refund Fund during a fiscal year shall be the  
26 Annual Percentage. For fiscal years 1999, 2000, and 2001,

1 the Annual Percentage shall be 19%. For fiscal year 2003,  
2 the Annual Percentage shall be 27%. For fiscal year 2004,  
3 the Annual Percentage shall be 32%. Upon the effective date  
4 of this amendatory Act of the 93rd General Assembly, the  
5 Annual Percentage shall be 24% for fiscal year 2005. For  
6 fiscal year 2006, the Annual Percentage shall be 20%. For  
7 fiscal year 2007, the Annual Percentage shall be 17.5%. For  
8 fiscal year 2008, the Annual Percentage shall be 15.5%. For  
9 fiscal year 2009, the Annual Percentage shall be 17.5%. For  
10 fiscal year 2010, the Annual Percentage shall be 17.5%. For  
11 fiscal year 2011, the Annual Percentage shall be 17.5%. For  
12 all other fiscal years, the Annual Percentage shall be  
13 calculated as a fraction, the numerator of which shall be  
14 the amount of refunds approved for payment by the  
15 Department during the preceding fiscal year as a result of  
16 overpayment of tax liability under subsections (a) and  
17 (b) (6), (7), and (8), (c) and (d) of Section 201 of this  
18 Act plus the amount of such refunds remaining approved but  
19 unpaid at the end of the preceding fiscal year, and the  
20 denominator of which shall be the amounts which will be  
21 collected pursuant to subsections (a) and (b) (6), (7), and  
22 (8), (c) and (d) of Section 201 of this Act during the  
23 preceding fiscal year; except that in State fiscal year  
24 2002, the Annual Percentage shall in no event exceed 23%.  
25 The Director of Revenue shall certify the Annual Percentage  
26 to the Comptroller on the last business day of the fiscal

1 year immediately preceding the fiscal year for which it is  
2 to be effective.

3 (3) The Comptroller shall order transferred and the  
4 Treasurer shall transfer from the Tobacco Settlement  
5 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000  
6 in January, 2001, (ii) \$35,000,000 in January, 2002, and  
7 (iii) \$35,000,000 in January, 2003.

8 (d) Expenditures from Income Tax Refund Fund.

9 (1) Beginning January 1, 1989, money in the Income Tax  
10 Refund Fund shall be expended exclusively for the purpose  
11 of paying refunds resulting from overpayment of tax  
12 liability under Section 201 of this Act, for paying rebates  
13 under Section 208.1 in the event that the amounts in the  
14 Homeowners' Tax Relief Fund are insufficient for that  
15 purpose, and for making transfers pursuant to this  
16 subsection (d).

17 (2) The Director shall order payment of refunds  
18 resulting from overpayment of tax liability under Section  
19 201 of this Act from the Income Tax Refund Fund only to the  
20 extent that amounts collected pursuant to Section 201 of  
21 this Act and transfers pursuant to this subsection (d) and  
22 item (3) of subsection (c) have been deposited and retained  
23 in the Fund.

24 (3) As soon as possible after the end of each fiscal  
25 year, the Director shall order transferred and the State  
26 Treasurer and State Comptroller shall transfer from the

1           Income Tax Refund Fund to the Personal Property Tax  
2           Replacement Fund an amount, certified by the Director to  
3           the Comptroller, equal to the excess of the amount  
4           collected pursuant to subsections (c) and (d) of Section  
5           201 of this Act deposited into the Income Tax Refund Fund  
6           during the fiscal year over the amount of refunds resulting  
7           from overpayment of tax liability under subsections (c) and  
8           (d) of Section 201 of this Act paid from the Income Tax  
9           Refund Fund during the fiscal year.

10           (4) As soon as possible after the end of each fiscal  
11           year, the Director shall order transferred and the State  
12           Treasurer and State Comptroller shall transfer from the  
13           Personal Property Tax Replacement Fund to the Income Tax  
14           Refund Fund an amount, certified by the Director to the  
15           Comptroller, equal to the excess of the amount of refunds  
16           resulting from overpayment of tax liability under  
17           subsections (c) and (d) of Section 201 of this Act paid  
18           from the Income Tax Refund Fund during the fiscal year over  
19           the amount collected pursuant to subsections (c) and (d) of  
20           Section 201 of this Act deposited into the Income Tax  
21           Refund Fund during the fiscal year.

22           (4.5) As soon as possible after the end of fiscal year  
23           1999 and of each fiscal year thereafter, the Director shall  
24           order transferred and the State Treasurer and State  
25           Comptroller shall transfer from the Income Tax Refund Fund  
26           to the General Revenue Fund any surplus remaining in the

1           Income Tax Refund Fund as of the end of such fiscal year;  
2           excluding for fiscal years 2000, 2001, and 2002 amounts  
3           attributable to transfers under item (3) of subsection (c)  
4           less refunds resulting from the earned income tax credit.

5           (5) This Act shall constitute an irrevocable and  
6           continuing appropriation from the Income Tax Refund Fund  
7           for the purpose of paying refunds upon the order of the  
8           Director in accordance with the provisions of this Section.

9           (e) Deposits into the Education Assistance Fund and the  
10          Income Tax Surcharge Local Government Distributive Fund.

11          On July 1, 1991, and thereafter, of the amounts collected  
12          pursuant to subsections (a) and (b) of Section 201 of this Act,  
13          minus deposits into the Income Tax Refund Fund, the Department  
14          shall deposit 7.3% into the Education Assistance Fund in the  
15          State Treasury. Beginning July 1, 1991, and continuing through  
16          January 31, 1993, of the amounts collected pursuant to  
17          subsections (a) and (b) of Section 201 of the Illinois Income  
18          Tax Act, minus deposits into the Income Tax Refund Fund, the  
19          Department shall deposit 3.0% into the Income Tax Surcharge  
20          Local Government Distributive Fund in the State Treasury.  
21          Beginning February 1, 1993 and continuing through June 30,  
22          1993, of the amounts collected pursuant to subsections (a) and  
23          (b) of Section 201 of the Illinois Income Tax Act, minus  
24          deposits into the Income Tax Refund Fund, the Department shall  
25          deposit 4.4% into the Income Tax Surcharge Local Government  
26          Distributive Fund in the State Treasury. Beginning July 1,

1 1993, and continuing through June 30, 1994, of the amounts  
2 collected under subsections (a) and (b) of Section 201 of this  
3 Act, minus deposits into the Income Tax Refund Fund, the  
4 Department shall deposit 1.475% into the Income Tax Surcharge  
5 Local Government Distributive Fund in the State Treasury.

6 (f) Deposits into the Fund for the Advancement of  
7 Education. Beginning February 1, 2015, the Department shall  
8 deposit the following portions of the revenue realized from the  
9 tax imposed upon individuals, trusts, and estates by  
10 subsections (a) and (b) of Section 201 of this Act during the  
11 preceding month, minus deposits into the Income Tax Refund  
12 Fund, into the Fund for the Advancement of Education:

13 (1) beginning February 1, 2015, and prior to February  
14 1, 2025, 1/30; and

15 (2) beginning February 1, 2025, 1/26.

16 If the rate of tax imposed by subsection (a) and (b) of  
17 Section 201 is reduced pursuant to Section 201.5 of this Act,  
18 the Department shall not make the deposits required by this  
19 subsection (f) on or after the effective date of the reduction.

20 (g) Deposits into the Commitment to Human Services Fund.  
21 Beginning February 1, 2015, the Department shall deposit the  
22 following portions of the revenue realized from the tax imposed  
23 upon individuals, trusts, and estates by subsections (a) and  
24 (b) of Section 201 of this Act during the preceding month,  
25 minus deposits into the Income Tax Refund Fund, into the  
26 Commitment to Human Services Fund:

1           (1) beginning February 1, 2015, and prior to February  
2           1, 2025, 1/30; and

3           (2) beginning February 1, 2025, 1/26.

4           If the rate of tax imposed by subsection (a) and (b) of  
5           Section 201 is reduced pursuant to Section 201.5 of this Act,  
6           the Department shall not make the deposits required by this  
7           subsection (g) on or after the effective date of the reduction.  
8           (Source: P.A. 95-707, eff. 1-11-08; 95-744, eff. 7-18-08;  
9           96-45, eff. 7-15-09; 96-328, eff. 8-11-09; 96-959, eff. 7-1-10;  
10          96-1496, eff. 1-13-11.)

11          Section 99. Effective date. This Act takes effect upon  
12          becoming law.