



## 98TH GENERAL ASSEMBLY

### State of Illinois

2013 and 2014

HB4718

by Rep. Dwight Kay

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

from Ch. 120, par. 2-201

Amends the Illinois Income Tax Act. Reduces the corporate income tax rate to (i) 6% for taxable years beginning on or after January 1, 2014 and ending prior to January 1, 2015 and (ii) 4.8% for taxable years beginning on or after January 1, 2015. Requires the Department of Revenue to monitor each month the seasonally-adjusted unemployment rate reported by the United States Department of Labor, Bureau of Labor Statistics, for the previous calendar month. Provides that, if the Department finds that (i) the average unemployment rate for the previous calendar month exceeds the average unemployment rate for any of the 3 calendar months immediately preceding the previous calendar month by more than 0.3% and (ii) the unemployment rate during the previous calendar month was 5.05% or higher, then the Department shall, by rule, decrease the rate of tax imposed on corporations by 0.25% for each 0.3% increase in the unemployment rate. Effective immediately.

LRB098 17115 HLH 52202 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 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  
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) In the case of an individual, trust, or estate, for  
11 taxable years beginning prior to January 1, 2011, and  
12 ending after December 31, 2010, an amount equal to the sum  
13 of (i) 3% of the taxpayer's net income for the period prior  
14 to January 1, 2011, as calculated under Section 202.5, and  
15 (ii) 5% of the taxpayer's net income for the period after  
16 December 31, 2010, as calculated under Section 202.5.

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

21 (5.1) In the case of an individual, trust, or estate,  
22 for taxable years beginning prior to January 1, 2015, and  
23 ending after December 31, 2014, an amount equal to the sum  
24 of (i) 5% of the taxpayer's net income for the period prior  
25 to January 1, 2015, as calculated under Section 202.5, and  
26 (ii) 3.75% of the taxpayer's net income for the period

1 after December 31, 2014, as calculated under Section 202.5.

2 (5.2) In the case of an individual, trust, or estate,  
3 for taxable years beginning on or after January 1, 2015,  
4 and ending prior to January 1, 2025, an amount equal to  
5 3.75% of the taxpayer's net income for the taxable year.

6 (5.3) In the case of an individual, trust, or estate,  
7 for taxable years beginning prior to January 1, 2025, and  
8 ending after December 31, 2024, an amount equal to the sum  
9 of (i) 3.75% of the taxpayer's net income for the period  
10 prior to January 1, 2025, as calculated under Section  
11 202.5, and (ii) 3.25% of the taxpayer's net income for the  
12 period after December 31, 2024, as calculated under Section  
13 202.5.

14 (5.4) In the case of an individual, trust, or estate,  
15 for taxable years beginning on or after January 1, 2025, an  
16 amount equal to 3.25% of the taxpayer's net income for the  
17 taxable year.

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

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

1 as calculated under Section 202.3.

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

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

13 (10) In the case of a corporation, for taxable years  
14 beginning on or after January 1, 2011, and ending prior to  
15 January 1, 2014 ~~January 1, 2015~~, an amount equal to 7% of  
16 the taxpayer's net income for the taxable year.

17 (11) In the case of a corporation, for taxable years  
18 beginning prior to January 1, 2014 ~~January 1, 2015~~, and  
19 ending after December 31, 2013 ~~December 31, 2014~~, an amount  
20 equal to the sum of (i) 7% of the taxpayer's net income for  
21 the period prior to January 1, 2014 ~~January 1, 2015~~, as  
22 calculated under Section 202.5, and (ii) 5.25% of the  
23 taxpayer's net income for the period after December 31,  
24 2013 ~~December 31, 2014~~, as calculated under Section 202.5.

25 (12) In the case of a corporation, for taxable years  
26 beginning on or after January 1, 2014 ~~January 1, 2015~~, and

1 ending prior to January 1, 2015 ~~January 1, 2025~~, an amount  
2 equal to 6% ~~5.25%~~ of the taxpayer's net income for the  
3 taxable year.

4 (13) In the case of a corporation, for taxable years  
5 beginning prior to January 1, 2015 ~~January 1, 2025~~, and  
6 ending after December 31, 2014 ~~December 31, 2024~~, an amount  
7 equal to the sum of (i) 6% ~~5.25%~~ of the taxpayer's net  
8 income for the period prior to January 1, 2015 ~~January 1,~~  
9 ~~2025~~, as calculated under Section 202.5, and (ii) 4.8% of  
10 the taxpayer's net income for the period after December 31,  
11 2014 ~~December 31, 2024~~, as calculated under Section 202.5.

12 (14) In the case of a corporation, for taxable years  
13 beginning on or after January 1, 2015 ~~January 1, 2025~~, an  
14 amount equal to 4.8% of the taxpayer's net income for the  
15 taxable year.

16 The rates under this subsection (b) are subject to the  
17 provisions of Section 201.5 and subsection (b-5) of this  
18 Section.

19 (b-5) In each month beginning with the month in which this  
20 amendatory Act of the 98th General Assembly takes effect and  
21 through December 2014, the Department shall monitor the  
22 seasonally-adjusted unemployment rate reported by the United  
23 States Department of Labor, Bureau of Labor Statistics, for the  
24 previous calendar month. Notwithstanding subsection (b) of  
25 this Section, if the Department finds that (i) the average  
26 unemployment rate for the previous calendar month exceeds the

1 average unemployment rate for any of the 3 calendar months  
2 immediately preceding the previous calendar month by more than  
3 0.3% and (ii) the unemployment rate during the previous  
4 calendar month was 5.05% or higher, then, beginning on the  
5 first day of the first month to occur not less than 30 days  
6 after the Department makes the finding, the Department shall,  
7 by rule, decrease the rate of tax imposed on corporations under  
8 subsection (b) of this Section by 0.25% for each 0.3% increase  
9 in the unemployment rate. The reduced rate of tax under this  
10 subsection (b-5) shall remain in effect until January 1 of the  
11 next calendar year or until an additional reduction is required  
12 under this subsection, whichever occurs sooner. If a rate  
13 reduction occurs under this subsection (b-5) during calendar  
14 year 2013 as a result of an increase in the unemployment rate,  
15 then, (i) beginning on January 1, 2014 and ending on December  
16 31, 2014, the rate of tax imposed on corporations shall be the  
17 rate of tax in effect on December 31, 2013, reduced by 1%. For  
18 taxable years beginning on or after January 1, 2015, the rate  
19 of tax imposed on corporations shall be 4.8%. Notwithstanding  
20 any other provision of this subsection to the contrary, the  
21 rate of tax on corporations may not be reduced to less than  
22 4.8% at any time.

23 The taxpayer may elect to determine net income on a  
24 specific accounting basis, according to the procedures  
25 established under Section 202.5, so as to attribute income and  
26 deduction items to a specific portion of the taxable year. The

1 rates under this subsection (b-5) are subject to the provisions  
2 of Section 201.5. The Department may adopt rules to implement  
3 this subsection.

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

17 (d) Additional Personal Property Tax Replacement Income  
18 Tax Rates. The personal property tax replacement income tax  
19 imposed by this subsection and subsection (c) of this Section  
20 in the case of a corporation, other than a Subchapter S  
21 corporation and except as adjusted by subsection (d-1), shall  
22 be an additional amount equal to 2.85% of such taxpayer's net  
23 income for the taxable year, except that beginning on January  
24 1, 1981, and thereafter, the rate of 2.85% specified in this  
25 subsection shall be reduced to 2.5%, and in the case of a  
26 partnership, trust or a Subchapter S corporation shall be an



1 additional amount equal to 1.5% of such taxpayer's net income  
2 for the taxable year.

3 (d-1) Rate reduction for certain foreign insurers. In the  
4 case of a foreign insurer, as defined by Section 35A-5 of the  
5 Illinois Insurance Code, whose state or country of domicile  
6 imposes on insurers domiciled in Illinois a retaliatory tax  
7 (excluding any insurer whose premiums from reinsurance assumed  
8 are 50% or more of its total insurance premiums as determined  
9 under paragraph (2) of subsection (b) of Section 304, except  
10 that for purposes of this determination premiums from  
11 reinsurance do not include premiums from inter-affiliate  
12 reinsurance arrangements), beginning with taxable years ending  
13 on or after December 31, 1999, the sum of the rates of tax  
14 imposed by subsections (b) and (d) shall be reduced (but not  
15 increased) to the rate at which the total amount of tax imposed  
16 under this Act, net of all credits allowed under this Act,  
17 shall equal (i) the total amount of tax that would be imposed  
18 on the foreign insurer's net income allocable to Illinois for  
19 the taxable year by such foreign insurer's state or country of  
20 domicile if that net income were subject to all income taxes  
21 and taxes measured by net income imposed by such foreign  
22 insurer's state or country of domicile, net of all credits  
23 allowed or (ii) a rate of zero if no such tax is imposed on such  
24 income by the foreign insurer's state of domicile. For the  
25 purposes of this subsection (d-1), an inter-affiliate includes  
26 a mutual insurer under common management.

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

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

7           (B) the privilege tax imposed by Section 409 of the  
8 Illinois Insurance Code, the fire insurance company  
9 tax imposed by Section 12 of the Fire Investigation  
10 Act, and the fire department taxes imposed under  
11 Section 11-10-1 of the Illinois Municipal Code,  
12 equals 1.25% for taxable years ending prior to December 31,  
13 2003, or 1.75% for taxable years ending on or after  
14 December 31, 2003, of the net taxable premiums written for  
15 the taxable year, as described by subsection (1) of Section  
16 409 of the Illinois Insurance Code. This paragraph will in  
17 no event increase the rates imposed under subsections (b)  
18 and (d).

19           (2) Any reduction in the rates of tax imposed by this  
20 subsection shall be applied first against the rates imposed  
21 by subsection (b) and only after the tax imposed by  
22 subsection (a) net of all credits allowed under this  
23 Section other than the credit allowed under subsection (i)  
24 has been reduced to zero, against the rates imposed by  
25 subsection (d).

26           This subsection (d-1) is exempt from the provisions of

1 Section 250.

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

5 (1) A taxpayer shall be allowed a credit equal to .5%  
6 of the basis of qualified property placed in service during  
7 the taxable year, provided such property is placed in  
8 service on or after July 1, 1984. There shall be allowed an  
9 additional credit equal to .5% of the basis of qualified  
10 property placed in service during the taxable year,  
11 provided such property is placed in service on or after  
12 July 1, 1986, and the taxpayer's base employment within  
13 Illinois has increased by 1% or more over the preceding  
14 year as determined by the taxpayer's employment records  
15 filed with the Illinois Department of Employment Security.  
16 Taxpayers who are new to Illinois shall be deemed to have  
17 met the 1% growth in base employment for the first year in  
18 which they file employment records with the Illinois  
19 Department of Employment Security. The provisions added to  
20 this Section by Public Act 85-1200 (and restored by Public  
21 Act 87-895) shall be construed as declaratory of existing  
22 law and not as a new enactment. If, in any year, the  
23 increase in base employment within Illinois over the  
24 preceding year is less than 1%, the additional credit shall  
25 be limited to that percentage times a fraction, the  
26 numerator of which is .5% and the denominator of which is

1 1%, but shall not exceed .5%. The investment credit shall  
2 not be allowed to the extent that it would reduce a  
3 taxpayer's liability in any tax year below zero, nor may  
4 any credit for qualified property be allowed for any year  
5 other than the year in which the property was placed in  
6 service in Illinois. For tax years ending on or after  
7 December 31, 1987, and on or before December 31, 1988, the  
8 credit shall be allowed for the tax year in which the  
9 property is placed in service, or, if the amount of the  
10 credit exceeds the tax liability for that year, whether it  
11 exceeds the original liability or the liability as later  
12 amended, such excess may be carried forward and applied to  
13 the tax liability of the 5 taxable years following the  
14 excess credit years if the taxpayer (i) makes investments  
15 which cause the creation of a minimum of 2,000 full-time  
16 equivalent jobs in Illinois, (ii) is located in an  
17 enterprise zone established pursuant to the Illinois  
18 Enterprise Zone Act and (iii) is certified by the  
19 Department of Commerce and Community Affairs (now  
20 Department of Commerce and Economic Opportunity) as  
21 complying with the requirements specified in clause (i) and  
22 (ii) by July 1, 1986. The Department of Commerce and  
23 Community Affairs (now Department of Commerce and Economic  
24 Opportunity) shall notify the Department of Revenue of all  
25 such certifications immediately. For tax years ending  
26 after December 31, 1988, the credit shall be allowed for

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

11 (2) The term "qualified property" means property  
12 which:

13 (A) is tangible, whether new or used, including  
14 buildings and structural components of buildings and  
15 signs that are real property, but not including land or  
16 improvements to real property that are not a structural  
17 component of a building such as landscaping, sewer  
18 lines, local access roads, fencing, parking lots, and  
19 other appurtenances;

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

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

1 (D) is used in Illinois by a taxpayer who is  
2 primarily engaged in manufacturing, or in mining coal  
3 or fluorite, or in retailing, or was placed in service  
4 on or after July 1, 2006 in a River Edge Redevelopment  
5 Zone established pursuant to the River Edge  
6 Redevelopment Zone Act; and

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

11 (3) For purposes of this subsection (e),  
12 "manufacturing" means the material staging and production  
13 of tangible personal property by procedures commonly  
14 regarded as manufacturing, processing, fabrication, or  
15 assembling which changes some existing material into new  
16 shapes, new qualities, or new combinations. For purposes of  
17 this subsection (e) the term "mining" shall have the same  
18 meaning as the term "mining" in Section 613(c) of the  
19 Internal Revenue Code. For purposes of this subsection (e),  
20 the term "retailing" means the sale of tangible personal  
21 property for use or consumption and not for resale, or  
22 services rendered in conjunction with the sale of tangible  
23 personal property for use or consumption and not for  
24 resale. For purposes of this subsection (e), "tangible  
25 personal property" has the same meaning as when that term  
26 is used in the Retailers' Occupation Tax Act, and, for

1 taxable years ending after December 31, 2008, does not  
2 include the generation, transmission, or distribution of  
3 electricity.

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

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

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

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

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

4 (8) Unless the investment credit is extended by law,  
5 the basis of qualified property shall not include costs  
6 incurred after December 31, 2018, except for costs incurred  
7 pursuant to a binding contract entered into on or before  
8 December 31, 2018.

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

25 For taxable years ending on or after December 31, 2000,  
26 a partner that qualifies its partnership for a subtraction



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

13 (f) Investment credit; Enterprise Zone; River Edge  
14 Redevelopment Zone.

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

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

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

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

25 (B) is depreciable pursuant to Section 167 of the  
26 Internal Revenue Code, except that "3-year property"

1 as defined in Section 168(c)(2)(A) of that Code is not  
2 eligible for the credit provided by this subsection  
3 (f);

4 (C) is acquired by purchase as defined in Section  
5 179(d) of the Internal Revenue Code;

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

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

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

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

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

23 (6) If during any taxable year, any property ceases to  
24 be qualified property in the hands of the taxpayer within  
25 48 months after being placed in service, or the situs of  
26 any qualified property is moved outside the Enterprise Zone

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

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

1 within Illinois over the preceding year is less than 1%,  
2 the additional credit shall be limited to that percentage  
3 times a fraction, the numerator of which is 0.5% and the  
4 denominator of which is 1%, but shall not exceed 0.5%.

5 (g) (Blank).

6 (h) Investment credit; High Impact Business.

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

1           The credit for additional investments beyond the minimum  
2           investment by a designated high impact business authorized  
3           under subdivision (a) (3) (A) of Section 5.5 of the Illinois  
4           Enterprise Zone Act shall be available only in the taxable  
5           year in which the property is placed in service and shall  
6           not be allowed to the extent that it would reduce a  
7           taxpayer's liability for the tax imposed by subsections (a)  
8           and (b) of this Section to below zero. For tax years ending  
9           on or after December 31, 1987, the credit shall be allowed  
10          for the tax year in which the property is placed in  
11          service, or, if the amount of the credit exceeds the tax  
12          liability for that year, whether it exceeds the original  
13          liability or the liability as later amended, such excess  
14          may be carried forward and applied to the tax liability of  
15          the 5 taxable years following the excess credit year. The  
16          credit shall be applied to the earliest year for which  
17          there is a liability. If there is credit from more than one  
18          tax year that is available to offset a liability, the  
19          credit accruing first in time shall be applied first.

20                 Changes made in this subdivision (h) (1) by Public Act  
21                 88-670 restore changes made by Public Act 85-1182 and  
22                 reflect existing law.

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

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

26                         (B) is depreciable pursuant to Section 167 of the

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

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

7 (D) is not eligible for the Enterprise Zone  
8 Investment Credit provided by subsection (f) of this  
9 Section.

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

13 (4) If the basis of the property for federal income tax  
14 depreciation purposes is increased after it has been placed  
15 in service in a federally designated Foreign Trade Zone or  
16 Sub-Zone located in Illinois by the taxpayer, the amount of  
17 such increase shall be deemed property placed in service on  
18 the date of such increase in basis.

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

21 (6) If during any taxable year ending on or before  
22 December 31, 1996, any property ceases to be qualified  
23 property in the hands of the taxpayer within 48 months  
24 after being placed in service, or the situs of any  
25 qualified property is moved outside Illinois within 48  
26 months after being placed in service, the tax imposed under

1 subsections (a) and (b) of this Section for such taxable  
2 year shall be increased. Such increase shall be determined  
3 by (i) recomputing the investment credit which would have  
4 been allowed for the year in which credit for such property  
5 was originally allowed by eliminating such property from  
6 such computation, and (ii) subtracting such recomputed  
7 credit from the amount of credit previously allowed. For  
8 the purposes of this paragraph (6), a reduction of the  
9 basis of qualified property resulting from a  
10 redetermination of the purchase price shall be deemed a  
11 disposition of qualified property to the extent of such  
12 reduction.

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

23 (i) Credit for Personal Property Tax Replacement Income  
24 Tax. For tax years ending prior to December 31, 2003, a credit  
25 shall be allowed against the tax imposed by subsections (a) and  
26 (b) of this Section for the tax imposed by subsections (c) and



1 (d) of this Section. This credit shall be computed by  
2 multiplying the tax imposed by subsections (c) and (d) of this  
3 Section by a fraction, the numerator of which is base income  
4 allocable to Illinois and the denominator of which is Illinois  
5 base income, and further multiplying the product by the tax  
6 rate imposed by subsections (a) and (b) of this Section.

7 Any credit earned on or after December 31, 1986 under this  
8 subsection which is unused in the year the credit is computed  
9 because it exceeds the tax liability imposed by subsections (a)  
10 and (b) for that year (whether it exceeds the original  
11 liability or the liability as later amended) may be carried  
12 forward and applied to the tax liability imposed by subsections  
13 (a) and (b) of the 5 taxable years following the excess credit  
14 year, provided that no credit may be carried forward to any  
15 year ending on or after December 31, 2003. This credit shall be  
16 applied first to the earliest year for which there is a  
17 liability. If there is a credit under this subsection from more  
18 than one tax year that is available to offset a liability the  
19 earliest credit arising under this subsection shall be applied  
20 first.

21 If, during any taxable year ending on or after December 31,  
22 1986, the tax imposed by subsections (c) and (d) of this  
23 Section for which a taxpayer has claimed a credit under this  
24 subsection (i) is reduced, the amount of credit for such tax  
25 shall also be reduced. Such reduction shall be determined by  
26 recomputing the credit to take into account the reduced tax

1 imposed by subsections (c) and (d). If any portion of the  
2 reduced amount of credit has been carried to a different  
3 taxable year, an amended return shall be filed for such taxable  
4 year to reduce the amount of credit claimed.

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

24 Any credit allowed under this subsection which is unused in  
25 the year the credit is earned may be carried forward to each of  
26 the 5 taxable years following the year for which the credit is

1 first computed until it is used. This credit shall be applied  
2 first to the earliest year for which there is a liability. If  
3 there is a credit under this subsection from more than one tax  
4 year that is available to offset a liability the earliest  
5 credit arising under this subsection shall be applied first. No  
6 carryforward credit may be claimed in any tax year ending on or  
7 after December 31, 2003.

8 (k) Research and development credit. For tax years ending  
9 after July 1, 1990 and prior to December 31, 2003, and  
10 beginning again for tax years ending on or after December 31,  
11 2004, and ending prior to January 1, 2016, a taxpayer shall be  
12 allowed a credit against the tax imposed by subsections (a) and  
13 (b) of this Section for increasing research activities in this  
14 State. The credit allowed against the tax imposed by  
15 subsections (a) and (b) shall be equal to 6 1/2% of the  
16 qualifying expenditures for increasing research activities in  
17 this State. For partners, shareholders of subchapter S  
18 corporations, and owners of limited liability companies, if the  
19 liability company is treated as a partnership for purposes of  
20 federal and State income taxation, there shall be allowed a  
21 credit under this subsection to be determined in accordance  
22 with the determination of income and distributive share of  
23 income under Sections 702 and 704 and subchapter S of the  
24 Internal Revenue Code.

25 For purposes of this subsection, "qualifying expenditures"  
26 means the qualifying expenditures as defined for the federal

1 credit for increasing research activities which would be  
2 allowable under Section 41 of the Internal Revenue Code and  
3 which are conducted in this State, "qualifying expenditures for  
4 increasing research activities in this State" means the excess  
5 of qualifying expenditures for the taxable year in which  
6 incurred over qualifying expenditures for the base period,  
7 "qualifying expenditures for the base period" means the average  
8 of the qualifying expenditures for each year in the base  
9 period, and "base period" means the 3 taxable years immediately  
10 preceding the taxable year for which the determination is being  
11 made.

12 Any credit in excess of the tax liability for the taxable  
13 year may be carried forward. A taxpayer may elect to have the  
14 unused credit shown on its final completed return carried over  
15 as a credit against the tax liability for the following 5  
16 taxable years or until it has been fully used, whichever occurs  
17 first; provided that no credit earned in a tax year ending  
18 prior to December 31, 2003 may be carried forward to any year  
19 ending on or after December 31, 2003.

20 If an unused credit is carried forward to a given year from  
21 2 or more earlier years, that credit arising in the earliest  
22 year will be applied first against the tax liability for the  
23 given year. If a tax liability for the given year still  
24 remains, the credit from the next earliest year will then be  
25 applied, and so on, until all credits have been used or no tax  
26 liability for the given year remains. Any remaining unused

1 credit or credits then will be carried forward to the next  
2 following year in which a tax liability is incurred, except  
3 that no credit can be carried forward to a year which is more  
4 than 5 years after the year in which the expense for which the  
5 credit is given was incurred.

6 No inference shall be drawn from this amendatory Act of the  
7 91st General Assembly in construing this Section for taxable  
8 years beginning before January 1, 1999.

9 (1) Environmental Remediation Tax Credit.

10 (i) For tax years ending after December 31, 1997 and on  
11 or before December 31, 2001, a taxpayer shall be allowed a  
12 credit against the tax imposed by subsections (a) and (b)  
13 of this Section for certain amounts paid for unreimbursed  
14 eligible remediation costs, as specified in this  
15 subsection. For purposes of this Section, "unreimbursed  
16 eligible remediation costs" means costs approved by the  
17 Illinois Environmental Protection Agency ("Agency") under  
18 Section 58.14 of the Environmental Protection Act that were  
19 paid in performing environmental remediation at a site for  
20 which a No Further Remediation Letter was issued by the  
21 Agency and recorded under Section 58.10 of the  
22 Environmental Protection Act. The credit must be claimed  
23 for the taxable year in which Agency approval of the  
24 eligible remediation costs is granted. The credit is not  
25 available to any taxpayer if the taxpayer or any related  
26 party caused or contributed to, in any material respect, a

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

1 allowed a credit under this subsection to be determined in  
2 accordance with the determination of income and  
3 distributive share of income under Sections 702 and 704 and  
4 subchapter S of the Internal Revenue Code.

5 (ii) A credit allowed under this subsection that is  
6 unused in the year the credit is earned may be carried  
7 forward to each of the 5 taxable years following the year  
8 for which the credit is first earned until it is used. The  
9 term "unused credit" does not include any amounts of  
10 unreimbursed eligible remediation costs in excess of the  
11 maximum credit per site authorized under paragraph (i).  
12 This credit shall be applied first to the earliest year for  
13 which there is a liability. If there is a credit under this  
14 subsection from more than one tax year that is available to  
15 offset a liability, the earliest credit arising under this  
16 subsection shall be applied first. A credit allowed under  
17 this subsection may be sold to a buyer as part of a sale of  
18 all or part of the remediation site for which the credit  
19 was granted. The purchaser of a remediation site and the  
20 tax credit shall succeed to the unused credit and remaining  
21 carry-forward period of the seller. To perfect the  
22 transfer, the assignor shall record the transfer in the  
23 chain of title for the site and provide written notice to  
24 the Director of the Illinois Department of Revenue of the  
25 assignor's intent to sell the remediation site and the  
26 amount of the tax credit to be transferred as a portion of

1 the sale. In no event may a credit be transferred to any  
2 taxpayer if the taxpayer or a related party would not be  
3 eligible under the provisions of subsection (i).

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

7 (m) Education expense credit. Beginning with tax years  
8 ending after December 31, 1999, a taxpayer who is the custodian  
9 of one or more qualifying pupils shall be allowed a credit  
10 against the tax imposed by subsections (a) and (b) of this  
11 Section for qualified education expenses incurred on behalf of  
12 the qualifying pupils. The credit shall be equal to 25% of  
13 qualified education expenses, but in no event may the total  
14 credit under this subsection claimed by a family that is the  
15 custodian of qualifying pupils exceed \$500. In no event shall a  
16 credit under this subsection reduce the taxpayer's liability  
17 under this Act to less than zero. This subsection is exempt  
18 from the provisions of Section 250 of this Act.

19 For purposes of this subsection:

20 "Qualifying pupils" means individuals who (i) are  
21 residents of the State of Illinois, (ii) are under the age of  
22 21 at the close of the school year for which a credit is  
23 sought, and (iii) during the school year for which a credit is  
24 sought were full-time pupils enrolled in a kindergarten through  
25 twelfth grade education program at any school, as defined in  
26 this subsection.



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

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

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

15 (n) River Edge Redevelopment Zone site remediation tax  
16 credit.

17 (i) For tax years ending on or after December 31, 2006,  
18 a taxpayer shall be allowed a credit against the tax  
19 imposed by subsections (a) and (b) of this Section for  
20 certain amounts paid for unreimbursed eligible remediation  
21 costs, as specified in this subsection. For purposes of  
22 this Section, "unreimbursed eligible remediation costs"  
23 means costs approved by the Illinois Environmental  
24 Protection Agency ("Agency") under Section 58.14a of the  
25 Environmental Protection Act that were paid in performing  
26 environmental remediation at a site within a River Edge

1           Redevelopment Zone for which a No Further Remediation  
2           Letter was issued by the Agency and recorded under Section  
3           58.10 of the Environmental Protection Act. The credit must  
4           be claimed for the taxable year in which Agency approval of  
5           the eligible remediation costs is granted. The credit is  
6           not available to any taxpayer if the taxpayer or any  
7           related party caused or contributed to, in any material  
8           respect, a release of regulated substances on, in, or under  
9           the site that was identified and addressed by the remedial  
10          action pursuant to the Site Remediation Program of the  
11          Environmental Protection Act. Determinations as to credit  
12          availability for purposes of this Section shall be made  
13          consistent with rules adopted by the Pollution Control  
14          Board pursuant to the Illinois Administrative Procedure  
15          Act for the administration and enforcement of Section 58.9  
16          of the Environmental Protection Act. For purposes of this  
17          Section, "taxpayer" includes a person whose tax attributes  
18          the taxpayer has succeeded to under Section 381 of the  
19          Internal Revenue Code and "related party" includes the  
20          persons disallowed a deduction for losses by paragraphs  
21          (b), (c), and (f)(1) of Section 267 of the Internal Revenue  
22          Code by virtue of being a related taxpayer, as well as any  
23          of its partners. The credit allowed against the tax imposed  
24          by subsections (a) and (b) shall be equal to 25% of the  
25          unreimbursed eligible remediation costs in excess of  
26          \$100,000 per site.

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

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

26           (o) For each of taxable years during the Compassionate Use

1 of Medical Cannabis Pilot Program, a surcharge is imposed on  
2 all taxpayers on income arising from the sale or exchange of  
3 capital assets, depreciable business property, real property  
4 used in the trade or business, and Section 197 intangibles of  
5 an organization registrant under the Compassionate Use of  
6 Medical Cannabis Pilot Program Act. The amount of the surcharge  
7 is equal to the amount of federal income tax liability for the  
8 taxable year attributable to those sales and exchanges. The  
9 surcharge imposed does not apply if:

10 (1) the medical cannabis cultivation center  
11 registration, medical cannabis dispensary registration, or  
12 the property of a registration is transferred as a result  
13 of any of the following:

14 (A) bankruptcy, a receivership, or a debt  
15 adjustment initiated by or against the initial  
16 registration or the substantial owners of the initial  
17 registration;

18 (B) cancellation, revocation, or termination of  
19 any registration by the Illinois Department of Public  
20 Health;

21 (C) a determination by the Illinois Department of  
22 Public Health that transfer of the registration is in  
23 the best interests of Illinois qualifying patients as  
24 defined by the Compassionate Use of Medical Cannabis  
25 Pilot Program Act;

26 (D) the death of an owner of the equity interest in

1 a registrant;

2 (E) the acquisition of a controlling interest in  
3 the stock or substantially all of the assets of a  
4 publicly traded company;

5 (F) a transfer by a parent company to a wholly  
6 owned subsidiary; or

7 (G) the transfer or sale to or by one person to  
8 another person where both persons were initial owners  
9 of the registration when the registration was issued;  
10 or

11 (2) the cannabis cultivation center registration,  
12 medical cannabis dispensary registration, or the  
13 controlling interest in a registrant's property is  
14 transferred in a transaction to lineal descendants in which  
15 no gain or loss is recognized or as a result of a  
16 transaction in accordance with Section 351 of the Internal  
17 Revenue Code in which no gain or loss is recognized.

18 (Source: P.A. 97-2, eff. 5-6-11; 97-636, eff. 6-1-12; 97-905,  
19 eff. 8-7-12; 98-109, eff. 7-25-13; 98-122, eff. 1-1-14; revised  
20 8-9-13.)

21 Section 99. Effective date. This Act takes effect upon  
22 becoming law.