



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB5718

by Rep. Darlene J. Senger

SYNOPSIS AS INTRODUCED:

New Act

35 ILCS 5/203

105 ILCS 5/18-8.05

from Ch. 120, par. 2-203

Creates the Chicago Opportunity Scholarship Act and amends the Illinois Income Tax Act and the State aid formula provisions of the School Code. Establishes the Chicago Opportunity Scholarship Program, a pilot program that expires on June 30, 2024. Provides that under the program, the custodian of a qualifying pupil is entitled to a Chicago Opportunity Scholarship to pay for qualified education expenses at a participating Chicago nonpublic elementary school. Requires the principal of each low-performing school and of each overcrowded school in the Chicago school district to notify custodians of qualifying pupils of the availability of scholarships. Sets forth provisions concerning a request for a scholarship, the issuance and payment of a scholarship, the amount and renewal of a scholarship, pupil assessment, the State longitudinal data system, and funding. Provides that students receiving scholarships are considered nonpublic school students who have been voluntarily placed in a private setting. Provides that the amount of a redeemed scholarship shall not be considered base income and shall not be taxable for Illinois income tax purposes. Requires the State Board of Education to submit a report to the General Assembly. Provides criminal penalties for certain violations. Requires the State Board to adopt rules to implement the Act. Provides that the Act is repealed on July 1, 2024. Effective June 30, 2014.

LRB098 16926 NHT 52001 b

CORRECTIONAL
BUDGET AND
IMPACT NOTE ACT
MAY APPLY

FISCAL NOTE ACT
MAY APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning education.

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

4 Section 1. Short title. This Act may be cited as the
5 Chicago Opportunity Scholarship Act.

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

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

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

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

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

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

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

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

2 "Base year" means the 2013-2014 school year.

3 "Chicago Opportunity Scholarship" or "scholarship" means a
4 written instrument issued by the State Board of Education
5 directly to the custodian of a qualifying pupil. The custodian
6 may present the instrument only to a participating nonpublic
7 school as payment for qualified education expenses incurred on
8 behalf of the qualifying pupil.

9 "Custodian" means, with respect to a qualifying pupil, a
10 parent or legal guardian who is a resident of the City of
11 Chicago.

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

18 "Nonpublic school" means any State-recognized, nonpublic
19 elementary school in the City of Chicago that elects to
20 participate in the scholarship program established under this
21 Act and does not discriminate on the basis of race, color, or
22 national origin under Title VI of the Civil Rights Act of 1964
23 and attendance at which satisfies the requirements of Section
24 26-1 of the School Code, except that nothing in Section 26-1
25 shall be construed to require a child to attend any particular

1 nonpublic school.

2 "Overcrowded school" means a school in City of Chicago
3 School District 299 that (i) enrolls students in any of grades
4 kindergarten through 8, (ii) has a percentage of low-income
5 students of 70% or more, as identified in the most recently
6 available School Report Card published by the State Board of
7 Education, and (iii) is determined by the Chicago Board of
8 Education to be in the most severely overcrowded 10% of schools
9 in the district. On or before November 1 of each year, the
10 Chicago Board of Education shall file a report with the State
11 Board of Education on which schools in the district meet the
12 definition of "overcrowded school".

13 "Qualified education expenses" means costs reasonably
14 incurred on behalf of a qualifying pupil for the services of a
15 participating nonpublic school in which the qualifying pupil is
16 enrolled during the regular school year. Qualified education
17 expenses does not include costs incurred for supplies or
18 extra-curricular activities.

19 "Qualifying pupil" means an individual who:

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

21 (2) is enrolled in any of grades kindergarten through 7
22 in a low-performing school or an overcrowded school or
23 would enter kindergarten in a low-performing school or
24 overcrowded school during the school year for which a
25 scholarship is sought; and

26 (3) during the school year for which a scholarship is

1 sought, is a full-time pupil enrolled in a kindergarten
2 through 8th grade education program.

3 Section 15. Establishment of program. There is established
4 the Chicago Opportunity Scholarship Program, a pilot program
5 that shall expire on June 30, 2024. Under the program, after
6 the base year, a custodian of a qualifying pupil shall be
7 entitled to a Chicago Opportunity Scholarship at any
8 participating nonpublic school in which the qualifying pupil is
9 enrolled. A qualifying pupil shall be entitled to enroll at and
10 attend any participating nonpublic school of his or her choice.

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

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

1 prior to the school year in which the scholarship is to be
2 used.

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

14 (1) that the applying custodian be notified of the
15 scholarship award by August 1 of the school year in which
16 the scholarship is to be used;

17 (2) that the scholarship instrument be issued to the
18 custodian no later than September 15 of the school year in
19 which the scholarship is to be used;

20 (3) that the custodian present the scholarship
21 instrument to the participating school no later than
22 October 1 of the school year in which the scholarship is to
23 be used;

24 (4) that the participating school present the
25 scholarship instrument, with proof of service to the

1 custodian of the qualifying pupil, to the State Board of
2 Education no later than October 31 of the school year in
3 which the scholarship is to be used;

4 (5) that the State Board of Education shall honor the
5 scholarship instrument and as issuer pay the participating
6 school no later than December 31 of the school year in
7 which the scholarship is to be used;

8 (6) that participating schools must accept
9 scholarships as full payment for services and may not
10 charge scholarship pupils tuition or any other educational
11 expenses at a higher rate than other pupils; and

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

1 distributed via the general State aid claim to City of
2 Chicago School District 299.

3 Section 35. Amount of scholarship. A Chicago Opportunity
4 Scholarship for qualified education expenses incurred through
5 participating schools during any school year after the base
6 year shall be for the lesser of (i) \$5,200 or (ii) the actual
7 qualified education expenses related to the qualifying pupil's
8 enrollment.

9 Section 40. Renewal of scholarship. Chicago Opportunity
10 Scholarships shall be renewable every year through grade 8 so
11 long as the pupil continues to reside in the City of Chicago
12 and the recognized nonpublic school elects to continue
13 participating in the Chicago Opportunity Scholarship Program.

14 Section 45. Assessment. All pupils receiving services
15 obtained through Chicago Opportunity Scholarships shall be
16 assessed annually in the same manner as Illinois' public school
17 students. The State Board of Education may adopt rules with
18 respect to the assessment of such pupils, which may include,
19 but is not limited to, rules pertaining to test security, test
20 administration and location, and reporting procedures.

21 Section 50. Longitudinal data system. Recognized nonpublic
22 schools participating in this Act must participate in the

1 longitudinal data system established under the P-20
2 Longitudinal Education Data System Act by disclosing data to
3 the State Board of Education for those students attending a
4 nonpublic school on a Chicago Opportunity Scholarship issued
5 under this Act.

6 Section 51. Funding. Nonpublic schools participating in
7 the Chicago Opportunity Scholarship Program must report the
8 attendance of students with Chicago Opportunity Scholarships
9 to City of Chicago School District 299 in the manner requested
10 by the district. Students enrolled in nonpublic schools under a
11 Chicago Opportunity Scholarship shall not be considered
12 enrolled in City of Chicago School District 299 for any
13 purpose.

14 Section 52. Nonpublic school student. For the purposes of
15 this Act, students receiving a Chicago Opportunity Scholarship
16 are considered nonpublic school students who have been
17 voluntarily placed in a private setting by the parent or
18 guardian.

19 Section 55. Not base income. The amount of any scholarship
20 redeemed under this Act shall not be considered base income
21 under subsection (a) of Section 203 of the Illinois Income Tax
22 Act and shall not be taxable for Illinois income tax purposes.

1 Section 60. Report and expansion. On or before December 31,
2 2017, the State Board of Education shall submit a report to the
3 General Assembly reviewing the current status of the program
4 operating under this Act. This report shall include, but not be
5 limited to, the numbers of qualifying pupils receiving each
6 Chicago Opportunity Scholarship, the names of the schools from
7 which and to which pupils transferred, the financial
8 ramifications of the program, and the results of pupil
9 assessments. In its report, the State Board of Education shall
10 assess whether the program has been financially and
11 academically beneficial and shall make a recommendation on
12 whether the program should be expanded to other schools in the
13 City of Chicago or to other areas of this State.

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

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

8 Section 100. Expiration. This Act is repealed on July 1,
9 2024.

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

12 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

13 Sec. 203. Base income defined.

14 (a) Individuals.

15 (1) In general. In the case of an individual, base
16 income means an amount equal to the taxpayer's adjusted
17 gross income for the taxable year as modified by paragraph
18 (2).

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

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

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

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

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

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

26 (D-5) An amount, to the extent not included in

1 adjusted gross income, equal to the amount of money
2 withdrawn by the taxpayer in the taxable year from a
3 medical care savings account and the interest earned on
4 the account in the taxable year of a withdrawal
5 pursuant to subsection (b) of Section 20 of the Medical
6 Care Savings Account Act or subsection (b) of Section
7 20 of the Medical Care Savings Account Act of 2000;

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

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

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

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

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

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

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

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

9 This paragraph shall not apply to the following:

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

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

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

24 (b) the transaction giving rise to the
25 interest expense between the taxpayer and the
26 person did not have as a principal purpose the

1 avoidance of Illinois income tax, and is paid
2 pursuant to a contract or agreement that
3 reflects an arm's-length interest rate and
4 terms; or

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

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

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

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

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

20 This paragraph shall not apply to the following:

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

1 to such item; or

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

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

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

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

26 Nothing in this subsection shall preclude the

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

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

1 and amounts included in gross income under Section 78
2 of the Internal Revenue Code) with respect to the stock
3 of the same person to whom the premiums and costs were
4 directly or indirectly paid, incurred, or accrued. The
5 preceding sentence does not apply to the extent that
6 the same dividends caused a reduction to the addition
7 modification required under Section 203(a)(2)(D-17) or
8 Section 203(a)(2)(D-18) of this Act.

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

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

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

24 (D-21) For taxable years beginning on or after
25 January 1, 2007, in the case of transfer of moneys from
26 a qualified tuition program under Section 529 of the

1 Internal Revenue Code that is administered by the State
2 to an out-of-state program, an amount equal to the
3 amount of moneys previously deducted from base income
4 under subsection (a) (2) (Y) of this Section;

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

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

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

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

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

1 exempt from the provisions of Section 250;

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

13 (G) The valuation limitation amount;

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

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

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

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

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

13 (L) For taxable years ending after December 31,
14 1983, an amount equal to all social security benefits
15 and railroad retirement benefits included in such
16 total pursuant to Sections 72(r) and 86 of the Internal
17 Revenue Code;

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

1 Code, plus, for taxable years ending on or after
2 December 31, 2011, Section 45G(e)(3) of the Internal
3 Revenue Code and, for taxable years ending on or after
4 December 31, 2008, any amount included in gross income
5 under Section 87 of the Internal Revenue Code; the
6 provisions of this subparagraph are exempt from the
7 provisions of Section 250;

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

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

20 (P) An amount equal to the amount of the deduction
21 used to compute the federal income tax credit for
22 restoration of substantial amounts held under claim of
23 right for the taxable year pursuant to Section 1341 of
24 the Internal Revenue Code or of any itemized deduction
25 taken from adjusted gross income in the computation of
26 taxable income for restoration of substantial amounts

1 held under claim of right for the taxable year;

2 (Q) An amount equal to any amounts included in such
3 total, received by the taxpayer as an acceleration in
4 the payment of life, endowment or annuity benefits in
5 advance of the time they would otherwise be payable as
6 an indemnity for a terminal illness;

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

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

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

24 (U) For one taxable year beginning on or after
25 January 1, 1994, an amount equal to the total amount of
26 tax imposed and paid under subsections (a) and (b) of

1 Section 201 of this Act on grant amounts received by
2 the taxpayer under the Nursing Home Grant Assistance
3 Act during the taxpayer's taxable years 1992 and 1993;

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

1 times a number that represents the fractional
2 percentage of eligible medical expenses under Section
3 213 of the Internal Revenue Code of 1986 not actually
4 deducted on the taxpayer's federal income tax return;

5 (W) For taxable years beginning on or after January
6 1, 1998, all amounts included in the taxpayer's federal
7 gross income in the taxable year from amounts converted
8 from a regular IRA to a Roth IRA. This paragraph is
9 exempt from the provisions of Section 250;

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

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

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

1 College Savings Pool account under Section 16.5 of the
2 State Treasurer Act or (ii) the Illinois Prepaid
3 Tuition Trust Fund, except that amounts excluded from
4 gross income under Section 529(c)(3)(C)(i) of the
5 Internal Revenue Code shall not be considered moneys
6 contributed under this subparagraph (Y). For purposes
7 of this subparagraph, contributions made by an
8 employer on behalf of an employee, or matching
9 contributions made by an employee, shall be treated as
10 made by the employee. This subparagraph (Y) is exempt
11 from the provisions of Section 250;

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

18 (1) "y" equals the amount of the depreciation
19 deduction taken for the taxable year on the
20 taxpayer's federal income tax return on property
21 for which the bonus depreciation deduction was
22 taken in any year under subsection (k) of Section
23 168 of the Internal Revenue Code, but not including
24 the bonus depreciation deduction;

25 (2) for taxable years ending on or before
26 December 31, 2005, "x" equals "y" multiplied by 30

1 and then divided by 70 (or "y" multiplied by
2 0.429); and

3 (3) for taxable years ending after December
4 31, 2005:

5 (i) for property on which a bonus
6 depreciation deduction of 30% of the adjusted
7 basis was taken, "x" equals "y" multiplied by
8 30 and then divided by 70 (or "y" multiplied by
9 0.429); and

10 (ii) for property on which a bonus
11 depreciation deduction of 50% of the adjusted
12 basis was taken, "x" equals "y" multiplied by
13 1.0.

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

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

1 If the taxpayer continues to own property through
2 the last day of the last tax year for which the
3 taxpayer may claim a depreciation deduction for
4 federal income tax purposes and for which the taxpayer
5 was required in any taxable year to make an addition
6 modification under subparagraph (D-15), then an amount
7 equal to that addition modification.

8 The taxpayer is allowed to take the deduction under
9 this subparagraph only once with respect to any one
10 piece of property.

11 This subparagraph (AA) is exempt from the
12 provisions of Section 250;

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

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

1 is required to make an addition modification with
2 respect to such transaction under Section
3 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
4 203(d)(2)(D-8), but not to exceed the amount of that
5 addition modification. This subparagraph (CC) is
6 exempt from the provisions of Section 250;

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

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

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

1 Section 250; ~~and~~

2 (GG) For taxable years ending on or after December
3 31, 2011, in the case of a taxpayer who was required to
4 add back any insurance premiums under Section
5 203(a)(2)(D-19), such taxpayer may elect to subtract
6 that part of a reimbursement received from the
7 insurance company equal to the amount of the expense or
8 loss (including expenses incurred by the insurance
9 company) that would have been taken into account as a
10 deduction for federal income tax purposes if the
11 expense or loss had been uninsured. If a taxpayer makes
12 the election provided for by this subparagraph (GG),
13 the insurer to which the premiums were paid must add
14 back to income the amount subtracted by the taxpayer
15 pursuant to this subparagraph (GG). This subparagraph
16 (GG) is exempt from the provisions of Section 250; ~~and.~~

17 (HH) For taxable years ending on or after December
18 31, 2014, an amount, to the extent that it is included
19 in adjusted gross income, equal to any scholarship
20 redeemed under the Chicago Opportunity Scholarship
21 Act. This subparagraph is exempt from the provisions of
22 Section 250.

23 (b) Corporations.

24 (1) In general. In the case of a corporation, base
25 income means an amount equal to the taxpayer's taxable

1 income for the taxable year as modified by paragraph (2).

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

5 (A) An amount equal to all amounts paid or accrued
6 to the taxpayer as interest and all distributions
7 received from regulated investment companies during
8 the taxable year to the extent excluded from gross
9 income in the computation of taxable income;

10 (B) An amount equal to the amount of tax imposed by
11 this Act to the extent deducted from gross income in
12 the computation of taxable income for the taxable year;

13 (C) In the case of a regulated investment company,
14 an amount equal to the excess of (i) the net long-term
15 capital gain for the taxable year, over (ii) the amount
16 of the capital gain dividends designated as such in
17 accordance with Section 852(b)(3)(C) of the Internal
18 Revenue Code and any amount designated under Section
19 852(b)(3)(D) of the Internal Revenue Code,
20 attributable to the taxable year (this amendatory Act
21 of 1995 (Public Act 89-89) is declarative of existing
22 law and is not a new enactment);

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

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

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

19 (ii) the addition modification relating to the
20 net operating loss carried back or forward to the
21 taxable year from any taxable year ending prior to
22 December 31, 1986 shall not exceed the amount of
23 such carryback or carryforward;

24 For taxable years in which there is a net operating
25 loss carryback or carryforward from more than one other
26 taxable year ending prior to December 31, 1986, the

1 addition modification provided in this subparagraph
2 (E) shall be the sum of the amounts computed
3 independently under the preceding provisions of this
4 subparagraph (E) for each such taxable year;

5 (E-5) For taxable years ending after December 31,
6 1997, an amount equal to any eligible remediation costs
7 that the corporation deducted in computing adjusted
8 gross income and for which the corporation claims a
9 credit under subsection (l) of Section 201;

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

15 (E-11) If the taxpayer sells, transfers, abandons,
16 or otherwise disposes of property for which the
17 taxpayer was required in any taxable year to make an
18 addition modification under subparagraph (E-10), then
19 an amount equal to the aggregate amount of the
20 deductions taken in all taxable years under
21 subparagraph (T) with respect to that property.

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which the
24 taxpayer may claim a depreciation deduction for
25 federal income tax purposes and for which the taxpayer
26 was allowed in any taxable year to make a subtraction

1 modification under subparagraph (T), then an amount
2 equal to that subtraction modification.

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

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

1 included in gross income pursuant to Sections 951
2 through 964 of the Internal Revenue Code and amounts
3 included in gross income under Section 78 of the
4 Internal Revenue Code) with respect to the stock of the
5 same person to whom the interest was paid, accrued, or
6 incurred.

7 This paragraph shall not apply to the following:

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

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

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

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

1 reflects an arm's-length interest rate and
2 terms; or

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

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

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

25 (E-13) An amount equal to the amount of intangible
26 expenses and costs otherwise allowed as a deduction in

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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

1 paid, accrued, or incurred, directly or
2 indirectly, if the taxpayer can establish, based
3 on a preponderance of the evidence, both of the
4 following:

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

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

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

24 Nothing in this subsection shall preclude the
25 Director from making any other adjustment
26 otherwise allowed under Section 404 of this Act for

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

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

1 of the same person to whom the premiums and costs were
2 directly or indirectly paid, incurred, or accrued. The
3 preceding sentence does not apply to the extent that
4 the same dividends caused a reduction to the addition
5 modification required under Section 203(b) (2) (E-12) or
6 Section 203(b) (2) (E-13) of this Act;

7 (E-15) For taxable years beginning after December
8 31, 2008, any deduction for dividends paid by a captive
9 real estate investment trust that is allowed to a real
10 estate investment trust under Section 857(b) (2) (B) of
11 the Internal Revenue Code for dividends paid;

12 (E-16) An amount equal to the credit allowable to
13 the taxpayer under Section 218(a) of this Act,
14 determined without regard to Section 218(c) of this
15 Act;

16 and by deducting from the total so obtained the sum of the
17 following amounts:

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

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

23 (H) In the case of a regulated investment company,
24 an amount equal to the amount of exempt interest
25 dividends as defined in subsection (b) (5) of Section
26 852 of the Internal Revenue Code, paid to shareholders

1 for the taxable year;

2 (I) With the exception of any amounts subtracted
3 under subparagraph (J), an amount equal to the sum of
4 all amounts disallowed as deductions by (i) Sections
5 171(a) (2), and 265(a)(2) and amounts disallowed as
6 interest expense by Section 291(a)(3) of the Internal
7 Revenue Code, and all amounts of expenses allocable to
8 interest and disallowed as deductions by Section
9 265(a)(1) of the Internal Revenue Code; and (ii) for
10 taxable years ending on or after August 13, 1999,
11 Sections 171(a)(2), 265, 280C, 291(a)(3), and
12 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
13 for tax years ending on or after December 31, 2011,
14 amounts disallowed as deductions by Section 45G(e)(3)
15 of the Internal Revenue Code and, for taxable years
16 ending on or after December 31, 2008, any amount
17 included in gross income under Section 87 of the
18 Internal Revenue Code and the policyholders' share of
19 tax-exempt interest of a life insurance company under
20 Section 807(a)(2)(B) of the Internal Revenue Code (in
21 the case of a life insurance company with gross income
22 from a decrease in reserves for the tax year) or
23 Section 807(b)(1)(B) of the Internal Revenue Code (in
24 the case of a life insurance company allowed a
25 deduction for an increase in reserves for the tax
26 year); the provisions of this subparagraph are exempt

1 from the provisions of Section 250;

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

11 (K) An amount equal to those dividends included in
12 such total which were paid by a corporation which
13 conducts business operations in a River Edge
14 Redevelopment Zone or zones created under the River
15 Edge Redevelopment Zone Act and conducts substantially
16 all of its operations in a River Edge Redevelopment
17 Zone or zones. This subparagraph (K) is exempt from the
18 provisions of Section 250;

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

1 this subparagraph (L);

2 (M) For any taxpayer that is a financial
3 organization within the meaning of Section 304(c) of
4 this Act, an amount included in such total as interest
5 income from a loan or loans made by such taxpayer to a
6 borrower, to the extent that such a loan is secured by
7 property which is eligible for the River Edge
8 Redevelopment Zone Investment Credit. To determine the
9 portion of a loan or loans that is secured by property
10 eligible for a Section 201(f) investment credit to the
11 borrower, the entire principal amount of the loan or
12 loans between the taxpayer and the borrower should be
13 divided into the basis of the Section 201(f) investment
14 credit property which secures the loan or loans, using
15 for this purpose the original basis of such property on
16 the date that it was placed in service in the River
17 Edge Redevelopment Zone. The subtraction modification
18 available to taxpayer in any year under this subsection
19 shall be that portion of the total interest paid by the
20 borrower with respect to such loan attributable to the
21 eligible property as calculated under the previous
22 sentence. This subparagraph (M) is exempt from the
23 provisions of Section 250;

24 (M-1) For any taxpayer that is a financial
25 organization within the meaning of Section 304(c) of
26 this Act, an amount included in such total as interest

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

23 (N) Two times any contribution made during the
24 taxable year to a designated zone organization to the
25 extent that the contribution (i) qualifies as a
26 charitable contribution under subsection (c) of

1 Section 170 of the Internal Revenue Code and (ii) must,
2 by its terms, be used for a project approved by the
3 Department of Commerce and Economic Opportunity under
4 Section 11 of the Illinois Enterprise Zone Act or under
5 Section 10-10 of the River Edge Redevelopment Zone Act.
6 This subparagraph (N) is exempt from the provisions of
7 Section 250;

8 (O) An amount equal to: (i) 85% for taxable years
9 ending on or before December 31, 1992, or, a percentage
10 equal to the percentage allowable under Section
11 243(a)(1) of the Internal Revenue Code of 1986 for
12 taxable years ending after December 31, 1992, of the
13 amount by which dividends included in taxable income
14 and received from a corporation that is not created or
15 organized under the laws of the United States or any
16 state or political subdivision thereof, including, for
17 taxable years ending on or after December 31, 1988,
18 dividends received or deemed received or paid or deemed
19 paid under Sections 951 through 965 of the Internal
20 Revenue Code, exceed the amount of the modification
21 provided under subparagraph (G) of paragraph (2) of
22 this subsection (b) which is related to such dividends,
23 and including, for taxable years ending on or after
24 December 31, 2008, dividends received from a captive
25 real estate investment trust; plus (ii) 100% of the
26 amount by which dividends, included in taxable income

1 and received, including, for taxable years ending on or
2 after December 31, 1988, dividends received or deemed
3 received or paid or deemed paid under Sections 951
4 through 964 of the Internal Revenue Code and including,
5 for taxable years ending on or after December 31, 2008,
6 dividends received from a captive real estate
7 investment trust, from any such corporation specified
8 in clause (i) that would but for the provisions of
9 Section 1504 (b) (3) of the Internal Revenue Code be
10 treated as a member of the affiliated group which
11 includes the dividend recipient, exceed the amount of
12 the modification provided under subparagraph (G) of
13 paragraph (2) of this subsection (b) which is related
14 to such dividends. This subparagraph (O) is exempt from
15 the provisions of Section 250 of this Act;

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

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

24 (R) On and after July 20, 1999, in the case of an
25 attorney-in-fact with respect to whom an interinsurer
26 or a reciprocal insurer has made the election under

1 Section 835 of the Internal Revenue Code, 26 U.S.C.
2 835, an amount equal to the excess, if any, of the
3 amounts paid or incurred by that interinsurer or
4 reciprocal insurer in the taxable year to the
5 attorney-in-fact over the deduction allowed to that
6 interinsurer or reciprocal insurer with respect to the
7 attorney-in-fact under Section 835(b) of the Internal
8 Revenue Code for the taxable year; the provisions of
9 this subparagraph are exempt from the provisions of
10 Section 250;

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

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

1 (1) "y" equals the amount of the depreciation
2 deduction taken for the taxable year on the
3 taxpayer's federal income tax return on property
4 for which the bonus depreciation deduction was
5 taken in any year under subsection (k) of Section
6 168 of the Internal Revenue Code, but not including
7 the bonus depreciation deduction;

8 (2) for taxable years ending on or before
9 December 31, 2005, "x" equals "y" multiplied by 30
10 and then divided by 70 (or "y" multiplied by
11 0.429); and

12 (3) for taxable years ending after December
13 31, 2005:

14 (i) for property on which a bonus
15 depreciation deduction of 30% of the adjusted
16 basis was taken, "x" equals "y" multiplied by
17 30 and then divided by 70 (or "y" multiplied by
18 0.429); and

19 (ii) for property on which a bonus
20 depreciation deduction of 50% of the adjusted
21 basis was taken, "x" equals "y" multiplied by
22 1.0.

23 The aggregate amount deducted under this
24 subparagraph in all taxable years for any one piece of
25 property may not exceed the amount of the bonus
26 depreciation deduction taken on that property on the

1 taxpayer's federal income tax return under subsection
2 (k) of Section 168 of the Internal Revenue Code. This
3 subparagraph (T) is exempt from the provisions of
4 Section 250;

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

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

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

20 This subparagraph (U) is exempt from the
21 provisions of Section 250;

22 (V) The amount of: (i) any interest income (net of
23 the deductions allocable thereto) taken into account
24 for the taxable year with respect to a transaction with
25 a taxpayer that is required to make an addition
26 modification with respect to such transaction under

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

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

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

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

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

10 (Y) For taxable years ending on or after December
11 31, 2011, in the case of a taxpayer who was required to
12 add back any insurance premiums under Section
13 203(b)(2)(E-14), such taxpayer may elect to subtract
14 that part of a reimbursement received from the
15 insurance company equal to the amount of the expense or
16 loss (including expenses incurred by the insurance
17 company) that would have been taken into account as a
18 deduction for federal income tax purposes if the
19 expense or loss had been uninsured. If a taxpayer makes
20 the election provided for by this subparagraph (Y), the
21 insurer to which the premiums were paid must add back
22 to income the amount subtracted by the taxpayer
23 pursuant to this subparagraph (Y). This subparagraph
24 (Y) is exempt from the provisions of Section 250; and

25 (Z) The difference between the nondeductible
26 controlled foreign corporation dividends under Section

1 965(e) (3) of the Internal Revenue Code over the taxable
2 income of the taxpayer, computed without regard to
3 Section 965(e) (2) (A) of the Internal Revenue Code, and
4 without regard to any net operating loss deduction.
5 This subparagraph (Z) is exempt from the provisions of
6 Section 250.

7 (3) Special rule. For purposes of paragraph (2) (A),
8 "gross income" in the case of a life insurance company, for
9 tax years ending on and after December 31, 1994, and prior
10 to December 31, 2011, shall mean the gross investment
11 income for the taxable year and, for tax years ending on or
12 after December 31, 2011, shall mean all amounts included in
13 life insurance gross income under Section 803(a) (3) of the
14 Internal Revenue Code.

15 (c) Trusts and estates.

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

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

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

1 in the computation of taxable income;

2 (B) In the case of (i) an estate, \$600; (ii) a
3 trust which, under its governing instrument, is
4 required to distribute all of its income currently,
5 \$300; and (iii) any other trust, \$100, but in each such
6 case, only to the extent such amount was deducted in
7 the computation of taxable income;

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

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

15 (E) For taxable years in which a net operating loss
16 carryback or carryforward from a taxable year ending
17 prior to December 31, 1986 is an element of taxable
18 income under paragraph (1) of subsection (e) or
19 subparagraph (E) of paragraph (2) of subsection (e),
20 the amount by which addition modifications other than
21 those provided by this subparagraph (E) exceeded
22 subtraction modifications in such taxable year, with
23 the following limitations applied in the order that
24 they are listed:

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

1 taxable year from any taxable year ending prior to
2 December 31, 1986 shall be reduced by the amount of
3 addition modification under this subparagraph (E)
4 which related to that net operating loss and which
5 was taken into account in calculating the base
6 income of an earlier taxable year, and

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

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

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

25 (G) An amount equal to the amount of the capital
26 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the
2 computation of taxable income;

3 (G-5) For taxable years ending after December 31,
4 1997, an amount equal to any eligible remediation costs
5 that the trust or estate deducted in computing adjusted
6 gross income and for which the trust or estate claims a
7 credit under subsection (l) of Section 201;

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

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

20 If the taxpayer continues to own property through
21 the last day of the last tax year for which the
22 taxpayer may claim a depreciation deduction for
23 federal income tax purposes and for which the taxpayer
24 was allowed in any taxable year to make a subtraction
25 modification under subparagraph (R), then an amount
26 equal to that subtraction modification.

1 The taxpayer is required to make the addition
2 modification under this subparagraph only once with
3 respect to any one piece of property;

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

1 included in gross income under Section 78 of the
2 Internal Revenue Code) with respect to the stock of the
3 same person to whom the interest was paid, accrued, or
4 incurred.

5 This paragraph shall not apply to the following:

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

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

17 (a) the person, during the same taxable
18 year, paid, accrued, or incurred, the interest
19 to a person that is not a related member, and

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

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

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

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

23 (G-13) An amount equal to the amount of intangible
24 expenses and costs otherwise allowed as a deduction in
25 computing base income, and that were paid, accrued, or
26 incurred, directly or indirectly, (i) for taxable

1 years ending on or after December 31, 2004, to a
2 foreign person who would be a member of the same
3 unitary business group but for the fact that the
4 foreign person's business activity outside the United
5 States is 80% or more of that person's total business
6 activity and (ii) for taxable years ending on or after
7 December 31, 2008, to a person who would be a member of
8 the same unitary business group but for the fact that
9 the person is prohibited under Section 1501(a)(27)
10 from being included in the unitary business group
11 because he or she is ordinarily required to apportion
12 business income under different subsections of Section
13 304. The addition modification required by this
14 subparagraph shall be reduced to the extent that
15 dividends were included in base income of the unitary
16 group for the same taxable year and received by the
17 taxpayer or by a member of the taxpayer's unitary
18 business group (including amounts included in gross
19 income pursuant to Sections 951 through 964 of the
20 Internal Revenue Code and amounts included in gross
21 income under Section 78 of the Internal Revenue Code)
22 with respect to the stock of the same person to whom
23 the intangible expenses and costs were directly or
24 indirectly paid, incurred, or accrued. The preceding
25 sentence shall not apply to the extent that the same
26 dividends caused a reduction to the addition

1 modification required under Section 203(c)(2)(G-12) of
2 this Act. As used in this subparagraph, the term
3 "intangible expenses and costs" includes: (1)
4 expenses, losses, and costs for or related to the
5 direct or indirect acquisition, use, maintenance or
6 management, ownership, sale, exchange, or any other
7 disposition of intangible property; (2) losses
8 incurred, directly or indirectly, from factoring
9 transactions or discounting transactions; (3) royalty,
10 patent, technical, and copyright fees; (4) licensing
11 fees; and (5) other similar expenses and costs. For
12 purposes of this subparagraph, "intangible property"
13 includes patents, patent applications, trade names,
14 trademarks, service marks, copyrights, mask works,
15 trade secrets, and similar types of intangible assets.

16 This paragraph shall not apply to the following:

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

24 (ii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, if the taxpayer can establish, based

1 on a preponderance of the evidence, both of the
2 following:

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

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

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

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

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

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

1 preceding sentence does not apply to the extent that
2 the same dividends caused a reduction to the addition
3 modification required under Section 203(c) (2) (G-12) or
4 Section 203(c) (2) (G-13) of this Act;

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

9 and by deducting from the total so obtained the sum of the
10 following amounts:

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

22 (I) The valuation limitation amount;

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

26 (K) An amount equal to all amounts included in

1 taxable income as modified by subparagraphs (A), (B),
2 (C), (D), (E), (F) and (G) which are exempt from
3 taxation by this State either by reason of its statutes
4 or Constitution or by reason of the Constitution,
5 treaties or statutes of the United States; provided
6 that, in the case of any statute of this State that
7 exempts income derived from bonds or other obligations
8 from the tax imposed under this Act, the amount
9 exempted shall be the interest net of bond premium
10 amortization;

11 (L) With the exception of any amounts subtracted
12 under subparagraph (K), an amount equal to the sum of
13 all amounts disallowed as deductions by (i) Sections
14 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
15 and all amounts of expenses allocable to interest and
16 disallowed as deductions by Section 265(1) of the
17 Internal Revenue Code; and (ii) for taxable years
18 ending on or after August 13, 1999, Sections 171(a) (2),
19 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
20 Code, plus, (iii) for taxable years ending on or after
21 December 31, 2011, Section 45G(e) (3) of the Internal
22 Revenue Code and, for taxable years ending on or after
23 December 31, 2008, any amount included in gross income
24 under Section 87 of the Internal Revenue Code; the
25 provisions of this subparagraph are exempt from the
26 provisions of Section 250;

1 (M) An amount equal to those dividends included in
2 such total which were paid by a corporation which
3 conducts business operations in a River Edge
4 Redevelopment Zone or zones created under the River
5 Edge Redevelopment Zone Act and conducts substantially
6 all of its operations in a River Edge Redevelopment
7 Zone or zones. This subparagraph (M) is exempt from the
8 provisions of Section 250;

9 (N) An amount equal to any contribution made to a
10 job training project established pursuant to the Tax
11 Increment Allocation Redevelopment Act;

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

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

26 (Q) For taxable year 1999 and thereafter, an amount

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

1 victim. The amount of and the eligibility for any
2 public assistance, benefit, or similar entitlement is
3 not affected by the inclusion of items (i) and (ii) of
4 this paragraph in gross income for federal income tax
5 purposes. This paragraph is exempt from the provisions
6 of Section 250;

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

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

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

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

26 (i) for property on which a bonus

1 depreciation deduction of 30% of the adjusted
2 basis was taken, "x" equals "y" multiplied by
3 30 and then divided by 70 (or "y" multiplied by
4 0.429); and

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

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

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

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which the
24 taxpayer may claim a depreciation deduction for
25 federal income tax purposes and for which the taxpayer
26 was required in any taxable year to make an addition

1 modification under subparagraph (G-10), then an amount
2 equal to that addition modification.

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

6 This subparagraph (S) is exempt from the
7 provisions of Section 250;

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

25 (U) An amount equal to the interest income taken
26 into account for the taxable year (net of the

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

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

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

14 (W) in the case of an estate, an amount equal to
15 all amounts included in such total pursuant to the
16 provisions of Section 111 of the Internal Revenue Code
17 as a recovery of items previously deducted by the
18 decedent from adjusted gross income in the computation
19 of taxable income. This subparagraph (W) is exempt from
20 Section 250;

21 (X) an amount equal to the refund included in such
22 total of any tax deducted for federal income tax
23 purposes, to the extent that deduction was added back
24 under subparagraph (F). This subparagraph (X) is
25 exempt from the provisions of Section 250; and

26 (Y) For taxable years ending on or after December

1 31, 2011, in the case of a taxpayer who was required to
2 add back any insurance premiums under Section
3 203(c)(2)(G-14), such taxpayer may elect to subtract
4 that part of a reimbursement received from the
5 insurance company equal to the amount of the expense or
6 loss (including expenses incurred by the insurance
7 company) that would have been taken into account as a
8 deduction for federal income tax purposes if the
9 expense or loss had been uninsured. If a taxpayer makes
10 the election provided for by this subparagraph (Y), the
11 insurer to which the premiums were paid must add back
12 to income the amount subtracted by the taxpayer
13 pursuant to this subparagraph (Y). This subparagraph
14 (Y) is exempt from the provisions of Section 250.

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

22 (d) Partnerships.

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

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

4 (A) An amount equal to all amounts paid or accrued
5 to the taxpayer as interest or dividends during the
6 taxable year to the extent excluded from gross income
7 in the computation of taxable income;

8 (B) An amount equal to the amount of tax imposed by
9 this Act to the extent deducted from gross income for
10 the taxable year;

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

14 (D) An amount equal to the amount of the capital
15 gain deduction allowable under the Internal Revenue
16 Code, to the extent deducted from gross income in the
17 computation of taxable income;

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

23 (D-6) If the taxpayer sells, transfers, abandons,
24 or otherwise disposes of property for which the
25 taxpayer was required in any taxable year to make an
26 addition modification under subparagraph (D-5), then

1 an amount equal to the aggregate amount of the
2 deductions taken in all taxable years under
3 subparagraph (O) with respect to that property.

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

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

14 (D-7) An amount equal to the amount otherwise
15 allowed as a deduction in computing base income for
16 interest paid, accrued, or incurred, directly or
17 indirectly, (i) for taxable years ending on or after
18 December 31, 2004, to a foreign person who would be a
19 member of the same unitary business group but for the
20 fact the foreign person's business activity outside
21 the United States is 80% or more of the foreign
22 person's total business activity and (ii) for taxable
23 years ending on or after December 31, 2008, to a person
24 who would be a member of the same unitary business
25 group but for the fact that the person is prohibited
26 under Section 1501(a)(27) from being included in the

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

15 This paragraph shall not apply to the following:

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

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

1 (a) the person, during the same taxable
2 year, paid, accrued, or incurred, the interest
3 to a person that is not a related member, and

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

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

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

24 Nothing in this subsection shall preclude the
25 Director from making any other adjustment
26 otherwise allowed under Section 404 of this Act for

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

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

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

26 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with a person if the

1 taxpayer establishes by clear and convincing
2 evidence, that the adjustments are unreasonable;
3 or if the taxpayer and the Director agree in
4 writing to the application or use of an alternative
5 method of apportionment under Section 304(f);

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

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

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

15 (D-10) An amount equal to the credit allowable to
16 the taxpayer under Section 218(a) of this Act,
17 determined without regard to Section 218(c) of this
18 Act;

19 and by deducting from the total so obtained the following
20 amounts:

21 (E) The valuation limitation amount;

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

25 (G) An amount equal to all amounts included in
26 taxable income as modified by subparagraphs (A), (B),

1 (C) and (D) which are exempt from taxation by this
2 State either by reason of its statutes or Constitution
3 or by reason of the Constitution, treaties or statutes
4 of the United States; provided that, in the case of any
5 statute of this State that exempts income derived from
6 bonds or other obligations from the tax imposed under
7 this Act, the amount exempted shall be the interest net
8 of bond premium amortization;

9 (H) Any income of the partnership which
10 constitutes personal service income as defined in
11 Section 1348 (b) (1) of the Internal Revenue Code (as
12 in effect December 31, 1981) or a reasonable allowance
13 for compensation paid or accrued for services rendered
14 by partners to the partnership, whichever is greater;
15 this subparagraph (H) is exempt from the provisions of
16 Section 250;

17 (I) An amount equal to all amounts of income
18 distributable to an entity subject to the Personal
19 Property Tax Replacement Income Tax imposed by
20 subsections (c) and (d) of Section 201 of this Act
21 including amounts distributable to organizations
22 exempt from federal income tax by reason of Section
23 501(a) of the Internal Revenue Code; this subparagraph
24 (I) is exempt from the provisions of Section 250;

25 (J) With the exception of any amounts subtracted
26 under subparagraph (G), an amount equal to the sum of

1 all amounts disallowed as deductions by (i) Sections
2 171(a) (2), and 265(2) of the Internal Revenue Code,
3 and all amounts of expenses allocable to interest and
4 disallowed as deductions by Section 265(1) of the
5 Internal Revenue Code; and (ii) for taxable years
6 ending on or after August 13, 1999, Sections 171(a) (2),
7 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
8 Code, plus, (iii) for taxable years ending on or after
9 December 31, 2011, Section 45G(e) (3) of the Internal
10 Revenue Code and, for taxable years ending on or after
11 December 31, 2008, any amount included in gross income
12 under Section 87 of the Internal Revenue Code; the
13 provisions of this subparagraph are exempt from the
14 provisions of Section 250;

15 (K) An amount equal to those dividends included in
16 such total which were paid by a corporation which
17 conducts business operations in a River Edge
18 Redevelopment Zone or zones created under the River
19 Edge Redevelopment Zone Act and conducts substantially
20 all of its operations from a River Edge Redevelopment
21 Zone or zones. This subparagraph (K) is exempt from the
22 provisions of Section 250;

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

26 (M) An amount equal to those dividends included in

1 such total that were paid by a corporation that
2 conducts business operations in a federally designated
3 Foreign Trade Zone or Sub-Zone and that is designated a
4 High Impact Business located in Illinois; provided
5 that dividends eligible for the deduction provided in
6 subparagraph (K) of paragraph (2) of this subsection
7 shall not be eligible for the deduction provided under
8 this subparagraph (M);

9 (N) An amount equal to the amount of the deduction
10 used to compute the federal income tax credit for
11 restoration of substantial amounts held under claim of
12 right for the taxable year pursuant to Section 1341 of
13 the Internal Revenue Code;

14 (O) For taxable years 2001 and thereafter, for the
15 taxable year in which the bonus depreciation deduction
16 is taken on the taxpayer's federal income tax return
17 under subsection (k) of Section 168 of the Internal
18 Revenue Code and for each applicable taxable year
19 thereafter, an amount equal to "x", where:

20 (1) "y" equals the amount of the depreciation
21 deduction taken for the taxable year on the
22 taxpayer's federal income tax return on property
23 for which the bonus depreciation deduction was
24 taken in any year under subsection (k) of Section
25 168 of the Internal Revenue Code, but not including
26 the bonus depreciation deduction;

1 (2) for taxable years ending on or before
2 December 31, 2005, "x" equals "y" multiplied by 30
3 and then divided by 70 (or "y" multiplied by
4 0.429); and

5 (3) for taxable years ending after December
6 31, 2005:

7 (i) for property on which a bonus
8 depreciation deduction of 30% of the adjusted
9 basis was taken, "x" equals "y" multiplied by
10 30 and then divided by 70 (or "y" multiplied by
11 0.429); and

12 (ii) for property on which a bonus
13 depreciation deduction of 50% of the adjusted
14 basis was taken, "x" equals "y" multiplied by
15 1.0.

16 The aggregate amount deducted under this
17 subparagraph in all taxable years for any one piece of
18 property may not exceed the amount of the bonus
19 depreciation deduction taken on that property on the
20 taxpayer's federal income tax return under subsection
21 (k) of Section 168 of the Internal Revenue Code. This
22 subparagraph (O) is exempt from the provisions of
23 Section 250;

24 (P) If the taxpayer sells, transfers, abandons, or
25 otherwise disposes of property for which the taxpayer
26 was required in any taxable year to make an addition

1 modification under subparagraph (D-5), then an amount
2 equal to that addition modification.

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

10 The taxpayer is allowed to take the deduction under
11 this subparagraph only once with respect to any one
12 piece of property.

13 This subparagraph (P) is exempt from the
14 provisions of Section 250;

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

1 respect to such transaction under Section
2 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
3 203(d)(2)(D-8), but not to exceed the amount of such
4 addition modification. This subparagraph (Q) is exempt
5 from Section 250;

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

26 (S) An amount equal to the income from intangible

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

20 (T) For taxable years ending on or after December
21 31, 2011, in the case of a taxpayer who was required to
22 add back any insurance premiums under Section
23 203(d)(2)(D-9), such taxpayer may elect to subtract
24 that part of a reimbursement received from the
25 insurance company equal to the amount of the expense or
26 loss (including expenses incurred by the insurance

1 company) that would have been taken into account as a
2 deduction for federal income tax purposes if the
3 expense or loss had been uninsured. If a taxpayer makes
4 the election provided for by this subparagraph (T), the
5 insurer to which the premiums were paid must add back
6 to income the amount subtracted by the taxpayer
7 pursuant to this subparagraph (T). This subparagraph
8 (T) is exempt from the provisions of Section 250.

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

10 (1) In general. Subject to the provisions of paragraph
11 (2) and subsection (b) (3), for purposes of this Section
12 and Section 803(e), a taxpayer's gross income, adjusted
13 gross income, or taxable income for the taxable year shall
14 mean the amount of gross income, adjusted gross income or
15 taxable income properly reportable for federal income tax
16 purposes for the taxable year under the provisions of the
17 Internal Revenue Code. Taxable income may be less than
18 zero. However, for taxable years ending on or after
19 December 31, 1986, net operating loss carryforwards from
20 taxable years ending prior to December 31, 1986, may not
21 exceed the sum of federal taxable income for the taxable
22 year before net operating loss deduction, plus the excess
23 of addition modifications over subtraction modifications
24 for the taxable year. For taxable years ending prior to
25 December 31, 1986, taxable income may never be an amount in

1 excess of the net operating loss for the taxable year as
2 defined in subsections (c) and (d) of Section 172 of the
3 Internal Revenue Code, provided that when taxable income of
4 a corporation (other than a Subchapter S corporation),
5 trust, or estate is less than zero and addition
6 modifications, other than those provided by subparagraph
7 (E) of paragraph (2) of subsection (b) for corporations or
8 subparagraph (E) of paragraph (2) of subsection (c) for
9 trusts and estates, exceed subtraction modifications, an
10 addition modification must be made under those
11 subparagraphs for any other taxable year to which the
12 taxable income less than zero (net operating loss) is
13 applied under Section 172 of the Internal Revenue Code or
14 under subparagraph (E) of paragraph (2) of this subsection
15 (e) applied in conjunction with Section 172 of the Internal
16 Revenue Code.

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

20 (A) Certain life insurance companies. In the case
21 of a life insurance company subject to the tax imposed
22 by Section 801 of the Internal Revenue Code, life
23 insurance company taxable income, plus the amount of
24 distribution from pre-1984 policyholder surplus
25 accounts as calculated under Section 815a of the
26 Internal Revenue Code;

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

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

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

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

25 (F) Cooperatives. In the case of a cooperative
26 corporation or association, the taxable income of such

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

1 elections. Public Act 96-932 is declaratory of
2 existing law;

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

19 (H) Partnerships. In the case of a partnership,
20 taxable income determined in accordance with Section
21 703 of the Internal Revenue Code, except that taxable
22 income shall take into account those items which are
23 required by Section 703(a)(1) to be separately stated
24 but which would be taken into account by an individual
25 in calculating his taxable income.

26 (3) Recapture of business expenses on disposition of

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

17 (f) Valuation limitation amount.

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

21 (A) The sum of the pre-August 1, 1969 appreciation
22 amounts (to the extent consisting of gain reportable
23 under the provisions of Section 1245 or 1250 of the
24 Internal Revenue Code) for all property in respect of
25 which such gain was reported for the taxable year; plus

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

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

10 (A) If the fair market value of property referred
11 to in paragraph (1) was readily ascertainable on August
12 1, 1969, the pre-August 1, 1969 appreciation amount for
13 such property is the lesser of (i) the excess of such
14 fair market value over the taxpayer's basis (for
15 determining gain) for such property on that date
16 (determined under the Internal Revenue Code as in
17 effect on that date), or (ii) the total gain realized
18 and reportable for federal income tax purposes in
19 respect of the sale, exchange or other disposition of
20 such property.

21 (B) If the fair market value of property referred
22 to in paragraph (1) was not readily ascertainable on
23 August 1, 1969, the pre-August 1, 1969 appreciation
24 amount for such property is that amount which bears the
25 same ratio to the total gain reported in respect of the
26 property for federal income tax purposes for the

1 taxable year, as the number of full calendar months in
2 that part of the taxpayer's holding period for the
3 property ending July 31, 1969 bears to the number of
4 full calendar months in the taxpayer's entire holding
5 period for the property.

6 (C) The Department shall prescribe such
7 regulations as may be necessary to carry out the
8 purposes of this paragraph.

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

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

21 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
22 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
23 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
24 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,

1 eff. 8-23-11; 97-905, eff. 8-7-12.)

2 Section 905. The School Code is amended by changing Section
3 18-8.05 as follows:

4 (105 ILCS 5/18-8.05)

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

8 (A) General Provisions.

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

1 this Section.

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

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

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

1 having recognition status at the end of a school term is
2 entitled to receive State aid payments due upon a legal
3 claim which was filed while it was recognized.

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

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

12 (d) (Blank).

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

17 School districts are not required to exert a minimum
18 Operating Tax Rate in order to qualify for assistance under
19 this Section.

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

22 (a) "Average Daily Attendance": A count of pupil
23 attendance in school, averaged as provided for in
24 subsection (C) and utilized in deriving per pupil financial
25 support levels.

26 (b) "Available Local Resources": A computation of

1 local financial support, calculated on the basis of Average
2 Daily Attendance and derived as provided pursuant to
3 subsection (D).

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

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

13 (e) "Operating Tax Rate": All school district property
14 taxes extended for all purposes, except Bond and Interest,
15 Summer School, Rent, Capital Improvement, and Vocational
16 Education Building purposes.

17 (B) Foundation Level.

18 (1) The Foundation Level is a figure established by the
19 State representing the minimum level of per pupil financial
20 support that should be available to provide for the basic
21 education of each pupil in Average Daily Attendance. As set
22 forth in this Section, each school district is assumed to exert
23 a sufficient local taxing effort such that, in combination with
24 the aggregate of general State financial aid provided the
25 district, an aggregate of State and local resources are

1 available to meet the basic education needs of pupils in the
2 district.

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

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

20 (C) Average Daily Attendance.

21 (1) For purposes of calculating general State aid pursuant
22 to subsection (E), an Average Daily Attendance figure shall be
23 utilized. The Average Daily Attendance figure for formula
24 calculation purposes shall be the monthly average of the actual
25 number of pupils in attendance of each school district, as

1 further averaged for the best 3 months of pupil attendance for
2 each school district. In compiling the figures for the number
3 of pupils in attendance, school districts and the State Board
4 of Education shall, for purposes of general State aid funding,
5 conform attendance figures to the requirements of subsection
6 (F).

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

16 (D) Available Local Resources.

17 (1) For purposes of calculating general State aid pursuant
18 to subsection (E), a representation of Available Local
19 Resources per pupil, as that term is defined and determined in
20 this subsection, shall be utilized. Available Local Resources
21 per pupil shall include a calculated dollar amount representing
22 local school district revenues from local property taxes and
23 from Corporate Personal Property Replacement Taxes, expressed
24 on the basis of pupils in Average Daily Attendance. Calculation
25 of Available Local Resources shall exclude any tax amnesty

1 funds received as a result of Public Act 93-26.

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

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

22 For partial elementary unit districts created pursuant to
23 Article 11E of this Code, local property tax revenues per pupil
24 shall be calculated as the product of the equalized assessed
25 valuation for property within the partial elementary unit
26 district for elementary purposes, as defined in Article 11E of

1 this Code, multiplied by 2.06% and divided by the district's
2 Average Daily Attendance figure, plus the product of the
3 equalized assessed valuation for property within the partial
4 elementary unit district for high school purposes, as defined
5 in Article 11E of this Code, multiplied by 0.94% and divided by
6 the district's Average Daily Attendance figure.

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

17 (E) Computation of General State Aid.

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

21 (2) For any school district for which Available Local
22 Resources per pupil is less than the product of 0.93 times the
23 Foundation Level, general State aid for that district shall be
24 calculated as an amount equal to the Foundation Level minus
25 Available Local Resources, multiplied by the Average Daily

1 Attendance of the school district.

2 (3) For any school district for which Available Local
3 Resources per pupil is equal to or greater than the product of
4 0.93 times the Foundation Level and less than the product of
5 1.75 times the Foundation Level, the general State aid per
6 pupil shall be a decimal proportion of the Foundation Level
7 derived using a linear algorithm. Under this linear algorithm,
8 the calculated general State aid per pupil shall decline in
9 direct linear fashion from 0.07 times the Foundation Level for
10 a school district with Available Local Resources equal to the
11 product of 0.93 times the Foundation Level, to 0.05 times the
12 Foundation Level for a school district with Available Local
13 Resources equal to the product of 1.75 times the Foundation
14 Level. The allocation of general State aid for school districts
15 subject to this paragraph 3 shall be the calculated general
16 State aid per pupil figure multiplied by the Average Daily
17 Attendance of the school district.

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

23 (5) The amount of general State aid allocated to a school
24 district for the 1999-2000 school year meeting the requirements
25 set forth in paragraph (4) of subsection (G) shall be increased
26 by an amount equal to the general State aid that would have

1 been received by the district for the 1998-1999 school year by
2 utilizing the Extension Limitation Equalized Assessed
3 Valuation as calculated in paragraph (4) of subsection (G) less
4 the general State aid allotted for the 1998-1999 school year.
5 This amount shall be deemed a one time increase, and shall not
6 affect any future general State aid allocations.

7 (F) Compilation of Average Daily Attendance.

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

18 (a) In districts that do not hold year-round classes,
19 days of attendance in August shall be added to the month of
20 September and any days of attendance in June shall be added
21 to the month of May.

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

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

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

22 Days of attendance by tuition pupils shall be accredited
23 only to the districts that pay the tuition to a recognized
24 school.

25 (2) Days of attendance by pupils of less than 5 clock hours
26 of school shall be subject to the following provisions in the

1 compilation of Average Daily Attendance.

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

11 (b) (Blank).

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

17 (d) A session of 3 or more clock hours may be counted
18 as a day of attendance (1) when the remainder of the school
19 day or at least 2 hours in the evening of that day is
20 utilized for an in-service training program for teachers,
21 up to a maximum of 5 days per school year, provided a
22 district conducts an in-service training program for
23 teachers in accordance with Section 10-22.39 of this Code;
24 or, in lieu of 4 such days, 2 full days may be used, in
25 which event each such day may be counted as a day required
26 for a legal school calendar pursuant to Section 10-19 of

1 this Code; (1.5) when, of the 5 days allowed under item
2 (1), a maximum of 4 days are used for parent-teacher
3 conferences, or, in lieu of 4 such days, 2 full days are
4 used, in which case each such day may be counted as a
5 calendar day required under Section 10-19 of this Code,
6 provided that the full-day, parent-teacher conference
7 consists of (i) a minimum of 5 clock hours of
8 parent-teacher conferences, (ii) both a minimum of 2 clock
9 hours of parent-teacher conferences held in the evening
10 following a full day of student attendance, as specified in
11 subsection (F)(1)(c), and a minimum of 3 clock hours of
12 parent-teacher conferences held on the day immediately
13 following evening parent-teacher conferences, or (iii)
14 multiple parent-teacher conferences held in the evenings
15 following full days of student attendance, as specified in
16 subsection (F)(1)(c), in which the time used for the
17 parent-teacher conferences is equivalent to a minimum of 5
18 clock hours; and (2) when days in addition to those
19 provided in items (1) and (1.5) are scheduled by a school
20 pursuant to its school improvement plan adopted under
21 Article 34 or its revised or amended school improvement
22 plan adopted under Article 2, provided that (i) such
23 sessions of 3 or more clock hours are scheduled to occur at
24 regular intervals, (ii) the remainder of the school days in
25 which such sessions occur are utilized for in-service
26 training programs or other staff development activities

1 for teachers, and (iii) a sufficient number of minutes of
2 school work under the direct supervision of teachers are
3 added to the school days between such regularly scheduled
4 sessions to accumulate not less than the number of minutes
5 by which such sessions of 3 or more clock hours fall short
6 of 5 clock hours. Any full days used for the purposes of
7 this paragraph shall not be considered for computing
8 average daily attendance. Days scheduled for in-service
9 training programs, staff development activities, or
10 parent-teacher conferences may be scheduled separately for
11 different grade levels and different attendance centers of
12 the district.

13 (e) A session of not less than one clock hour of
14 teaching hospitalized or homebound pupils on-site or by
15 telephone to the classroom may be counted as 1/2 day of
16 attendance, however these pupils must receive 4 or more
17 clock hours of instruction to be counted for a full day of
18 attendance.

19 (f) A session of at least 4 clock hours may be counted
20 as a day of attendance for first grade pupils, and pupils
21 in full day kindergartens, and a session of 2 or more hours
22 may be counted as 1/2 day of attendance by pupils in
23 kindergartens which provide only 1/2 day of attendance.

24 (g) For children with disabilities who are below the
25 age of 6 years and who cannot attend 2 or more clock hours
26 because of their disability or immaturity, a session of not

1 less than one clock hour may be counted as 1/2 day of
2 attendance; however for such children whose educational
3 needs so require a session of 4 or more clock hours may be
4 counted as a full day of attendance.

5 (h) A recognized kindergarten which provides for only
6 1/2 day of attendance by each pupil shall not have more
7 than 1/2 day of attendance counted in any one day. However,
8 kindergartens may count 2 1/2 days of attendance in any 5
9 consecutive school days. When a pupil attends such a
10 kindergarten for 2 half days on any one school day, the
11 pupil shall have the following day as a day absent from
12 school, unless the school district obtains permission in
13 writing from the State Superintendent of Education.
14 Attendance at kindergartens which provide for a full day of
15 attendance by each pupil shall be counted the same as
16 attendance by first grade pupils. Only the first year of
17 attendance in one kindergarten shall be counted, except in
18 case of children who entered the kindergarten in their
19 fifth year whose educational development requires a second
20 year of kindergarten as determined under the rules and
21 regulations of the State Board of Education.

22 (i) On the days when the Prairie State Achievement
23 Examination is administered under subsection (c) of
24 Section 2-3.64 of this Code, the day of attendance for a
25 pupil whose school day must be shortened to accommodate
26 required testing procedures may be less than 5 clock hours

1 and shall be counted towards the 176 days of actual pupil
2 attendance required under Section 10-19 of this Code,
3 provided that a sufficient number of minutes of school work
4 in excess of 5 clock hours are first completed on other
5 school days to compensate for the loss of school work on
6 the examination days.

7 (j) Pupils enrolled in a remote educational program
8 established under Section 10-29 of this Code may be counted
9 on the basis of one-fifth day of attendance for every clock
10 hour of instruction attended in the remote educational
11 program, provided that, in any month, the school district
12 may not claim for a student enrolled in a remote
13 educational program more days of attendance than the
14 maximum number of days of attendance the district can claim

15 (i) for students enrolled in a building holding year-round
16 classes if the student is classified as participating in
17 the remote educational program on a year-round schedule or
18 (ii) for students enrolled in a building not holding
19 year-round classes if the student is not classified as
20 participating in the remote educational program on a
21 year-round schedule.

22 (G) Equalized Assessed Valuation Data.

23 (1) For purposes of the calculation of Available Local
24 Resources required pursuant to subsection (D), the State Board
25 of Education shall secure from the Department of Revenue the

1 value as equalized or assessed by the Department of Revenue of
2 all taxable property of every school district, together with
3 (i) the applicable tax rate used in extending taxes for the
4 funds of the district as of September 30 of the previous year
5 and (ii) the limiting rate for all school districts subject to
6 property tax extension limitations as imposed under the
7 Property Tax Extension Limitation Law.

8 The Department of Revenue shall add to the equalized
9 assessed value of all taxable property of each school district
10 situated entirely or partially within a county that is or was
11 subject to the provisions of Section 15-176 or 15-177 of the
12 Property Tax Code (a) an amount equal to the total amount by
13 which the homestead exemption allowed under Section 15-176 or
14 15-177 of the Property Tax Code for real property situated in
15 that school district exceeds the total amount that would have
16 been allowed in that school district if the maximum reduction
17 under Section 15-176 was (i) \$4,500 in Cook County or \$3,500 in
18 all other counties in tax year 2003 or (ii) \$5,000 in all
19 counties in tax year 2004 and thereafter and (b) an amount
20 equal to the aggregate amount for the taxable year of all
21 additional exemptions under Section 15-175 of the Property Tax
22 Code for owners with a household income of \$30,000 or less. The
23 county clerk of any county that is or was subject to the
24 provisions of Section 15-176 or 15-177 of the Property Tax Code
25 shall annually calculate and certify to the Department of
26 Revenue for each school district all homestead exemption

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

20 This equalized assessed valuation, as adjusted further by
21 the requirements of this subsection, shall be utilized in the
22 calculation of Available Local Resources.

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

25 (a) For the purposes of calculating State aid under
26 this Section, with respect to any part of a school district

1 within a redevelopment project area in respect to which a
2 municipality has adopted tax increment allocation
3 financing pursuant to the Tax Increment Allocation
4 Redevelopment Act, Sections 11-74.4-1 through 11-74.4-11
5 of the Illinois Municipal Code or the Industrial Jobs
6 Recovery Law, Sections 11-74.6-1 through 11-74.6-50 of the
7 Illinois Municipal Code, no part of the current equalized
8 assessed valuation of real property located in any such
9 project area which is attributable to an increase above the
10 total initial equalized assessed valuation of such
11 property shall be used as part of the equalized assessed
12 valuation of the district, until such time as all
13 redevelopment project costs have been paid, as provided in
14 Section 11-74.4-8 of the Tax Increment Allocation
15 Redevelopment Act or in Section 11-74.6-35 of the
16 Industrial Jobs Recovery Law. For the purpose of the
17 equalized assessed valuation of the district, the total
18 initial equalized assessed valuation or the current
19 equalized assessed valuation, whichever is lower, shall be
20 used until such time as all redevelopment project costs
21 have been paid.

22 (b) The real property equalized assessed valuation for
23 a school district shall be adjusted by subtracting from the
24 real property value as equalized or assessed by the
25 Department of Revenue for the district an amount computed
26 by dividing the amount of any abatement of taxes under

1 Section 18-170 of the Property Tax Code by 3.00% for a
2 district maintaining grades kindergarten through 12, by
3 2.30% for a district maintaining grades kindergarten
4 through 8, or by 1.05% for a district maintaining grades 9
5 through 12 and adjusted by an amount computed by dividing
6 the amount of any abatement of taxes under subsection (a)
7 of Section 18-165 of the Property Tax Code by the same
8 percentage rates for district type as specified in this
9 subparagraph (b).

10 (3) For the 1999-2000 school year and each school year
11 thereafter, if a school district meets all of the criteria of
12 this subsection (G) (3), the school district's Available Local
13 Resources shall be calculated under subsection (D) using the
14 district's Extension Limitation Equalized Assessed Valuation
15 as calculated under this subsection (G) (3).

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

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

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

22 "Preceding Tax Year": The property tax levy year
23 immediately preceding the Base Tax Year.

24 "Base Tax Year's Tax Extension": The product of the
25 equalized assessed valuation utilized by the County Clerk
26 in the Base Tax Year multiplied by the limiting rate as

1 calculated by the County Clerk and defined in the Property
2 Tax Extension Limitation Law.

3 "Preceding Tax Year's Tax Extension": The product of
4 the equalized assessed valuation utilized by the County
5 Clerk in the Preceding Tax Year multiplied by the Operating
6 Tax Rate as defined in subsection (A).

7 "Extension Limitation Ratio": A numerical ratio,
8 certified by the County Clerk, in which the numerator is
9 the Base Tax Year's Tax Extension and the denominator is
10 the Preceding Tax Year's Tax Extension.

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

13 If a school district is subject to property tax extension
14 limitations as imposed under the Property Tax Extension
15 Limitation Law, the State Board of Education shall calculate
16 the Extension Limitation Equalized Assessed Valuation of that
17 district. For the 1999-2000 school year, the Extension
18 Limitation Equalized Assessed Valuation of a school district as
19 calculated by the State Board of Education shall be equal to
20 the product of the district's 1996 Equalized Assessed Valuation
21 and the district's Extension Limitation Ratio. Except as
22 otherwise provided in this paragraph for a school district that
23 has approved or does approve an increase in its limiting rate,
24 for the 2000-2001 school year and each school year thereafter,
25 the Extension Limitation Equalized Assessed Valuation of a
26 school district as calculated by the State Board of Education

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

1 increment value shall have the meanings set forth in the
2 Property Tax Extension Limitation Law.

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

7 (3.5) For the 2010-2011 school year and each school year
8 thereafter, if a school district's boundaries span multiple
9 counties, then the Department of Revenue shall send to the
10 State Board of Education, for the purpose of calculating
11 general State aid, the limiting rate and individual rates by
12 purpose for the county that contains the majority of the school
13 district's Equalized Assessed Valuation.

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

1 district's equalized assessed valuation utilized in
2 calculating the district's 1998-1999 general State aid
3 allocation, then for purposes of calculating the district's
4 general State aid pursuant to paragraph (5) of subsection (E),
5 that Extension Limitation Equalized Assessed Valuation shall
6 be utilized to calculate the district's Available Local
7 Resources.

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

20 (H) Supplemental General State Aid.

21 (1) In addition to the general State aid a school district
22 is allotted pursuant to subsection (E), qualifying school
23 districts shall receive a grant, paid in conjunction with a
24 district's payments of general State aid, for supplemental
25 general State aid based upon the concentration level of

1 children from low-income households within the school
2 district. Supplemental State aid grants provided for school
3 districts under this subsection shall be appropriated for
4 distribution to school districts as part of the same line item
5 in which the general State financial aid of school districts is
6 appropriated under this Section.

7 (1.5) This paragraph (1.5) applies only to those school
8 years preceding the 2003-2004 school year. For purposes of this
9 subsection (H), the term "Low-Income Concentration Level"
10 shall be the low-income eligible pupil count from the most
11 recently available federal census divided by the Average Daily
12 Attendance of the school district. If, however, (i) the
13 percentage decrease from the 2 most recent federal censuses in
14 the low-income eligible pupil count of a high school district
15 with fewer than 400 students exceeds by 75% or more the
16 percentage change in the total low-income eligible pupil count
17 of contiguous elementary school districts, whose boundaries
18 are coterminous with the high school district, or (ii) a high
19 school district within 2 counties and serving 5 elementary
20 school districts, whose boundaries are coterminous with the
21 high school district, has a percentage decrease from the 2 most
22 recent federal censuses in the low-income eligible pupil count
23 and there is a percentage increase in the total low-income
24 eligible pupil count of a majority of the elementary school
25 districts in excess of 50% from the 2 most recent federal
26 censuses, then the high school district's low-income eligible

1 pupil count from the earlier federal census shall be the number
2 used as the low-income eligible pupil count for the high school
3 district, for purposes of this subsection (H). The changes made
4 to this paragraph (1) by Public Act 92-28 shall apply to
5 supplemental general State aid grants for school years
6 preceding the 2003-2004 school year that are paid in fiscal
7 year 1999 or thereafter and to any State aid payments made in
8 fiscal year 1994 through fiscal year 1998 pursuant to
9 subsection 1(n) of Section 18-8 of this Code (which was
10 repealed on July 1, 1998), and any high school district that is
11 affected by Public Act 92-28 is entitled to a recomputation of
12 its supplemental general State aid grant or State aid paid in
13 any of those fiscal years. This recomputation shall not be
14 affected by any other funding.

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

1 immediately preceding fiscal years for each fiscal year
2 thereafter) divided by the Average Daily Attendance of the
3 school district.

4 (2) Supplemental general State aid pursuant to this
5 subsection (H) shall be provided as follows for the 1998-1999,
6 1999-2000, and 2000-2001 school years only:

7 (a) For any school district with a Low Income
8 Concentration Level of at least 20% and less than 35%, the
9 grant for any school year shall be \$800 multiplied by the
10 low income eligible pupil count.

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

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

19 (d) For any school district with a Low Income
20 Concentration Level of 60% or more, the grant for the
21 1998-99 school year shall be \$1,900 multiplied by the low
22 income eligible pupil count.

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

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

5 (2.5) Supplemental general State aid pursuant to this
6 subsection (H) shall be provided as follows for the 2002-2003
7 school year:

8 (a) For any school district with a Low Income
9 Concentration Level of less than 10%, the grant for each
10 school year shall be \$355 multiplied by the low income
11 eligible pupil count.

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

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

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

24 (e) For any school district with a Low Income
25 Concentration Level of at least 50% and less than 60%, the
26 grant for each school year shall be \$1,680 multiplied by

1 the low income eligible pupil count.

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

6 (2.10) Except as otherwise provided, supplemental general
7 State aid pursuant to this subsection (H) shall be provided as
8 follows for the 2003-2004 school year and each school year
9 thereafter:

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

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

19 For the 2003-2004 school year and each school year
20 thereafter through the 2008-2009 school year only, the grant
21 shall be no less than the grant for the 2002-2003 school year.
22 For the 2009-2010 school year only, the grant shall be no less
23 than the grant for the 2002-2003 school year multiplied by
24 0.66. For the 2010-2011 school year only, the grant shall be no
25 less than the grant for the 2002-2003 school year multiplied by
26 0.33. Notwithstanding the provisions of this paragraph to the

1 contrary, if for any school year supplemental general State aid
2 grants are prorated as provided in paragraph (1) of this
3 subsection (H), then the grants under this paragraph shall be
4 prorated.

5 For the 2003-2004 school year only, the grant shall be no
6 greater than the grant received during the 2002-2003 school
7 year added to the product of 0.25 multiplied by the difference
8 between the grant amount calculated under subsection (a) or (b)
9 of this paragraph (2.10), whichever is applicable, and the
10 grant received during the 2002-2003 school year. For the
11 2004-2005 school year only, the grant shall be no greater than
12 the grant received during the 2002-2003 school year added to
13 the product of 0.50 multiplied by the difference between the
14 grant amount calculated under subsection (a) or (b) of this
15 paragraph (2.10), whichever is applicable, and the grant
16 received during the 2002-2003 school year. For the 2005-2006
17 school year only, the grant shall be no greater than the grant
18 received during the 2002-2003 school year added to the product
19 of 0.75 multiplied by the difference between the grant amount
20 calculated under subsection (a) or (b) of this paragraph
21 (2.10), whichever is applicable, and the grant received during
22 the 2002-2003 school year.

23 (3) School districts with an Average Daily Attendance of
24 more than 1,000 and less than 50,000 that qualify for
25 supplemental general State aid pursuant to this subsection
26 shall submit a plan to the State Board of Education prior to

1 October 30 of each year for the use of the funds resulting from
2 this grant of supplemental general State aid for the
3 improvement of instruction in which priority is given to
4 meeting the education needs of disadvantaged children. Such
5 plan shall be submitted in accordance with rules and
6 regulations promulgated by the State Board of Education.

7 (4) School districts with an Average Daily Attendance of
8 50,000 or more that qualify for supplemental general State aid
9 pursuant to this subsection shall be required to distribute
10 from funds available pursuant to this Section, no less than
11 \$261,000,000 in accordance with the following requirements:

12 (a) The required amounts shall be distributed to the
13 attendance centers within the district in proportion to the
14 number of pupils enrolled at each attendance center who are
15 eligible to receive free or reduced-price lunches or
16 breakfasts under the federal Child Nutrition Act of 1966
17 and under the National School Lunch Act during the
18 immediately preceding school year.

19 (b) The distribution of these portions of supplemental
20 and general State aid among attendance centers according to
21 these requirements shall not be compensated for or
22 contravened by adjustments of the total of other funds
23 appropriated to any attendance centers, and the Board of
24 Education shall utilize funding from one or several sources
25 in order to fully implement this provision annually prior
26 to the opening of school.

1 (c) Each attendance center shall be provided by the
2 school district a distribution of noncategorical funds and
3 other categorical funds to which an attendance center is
4 entitled under law in order that the general State aid and
5 supplemental general State aid provided by application of
6 this subsection supplements rather than supplants the
7 noncategorical funds and other categorical funds provided
8 by the school district to the attendance centers.

9 (d) Any funds made available under this subsection that
10 by reason of the provisions of this subsection are not
11 required to be allocated and provided to attendance centers
12 may be used and appropriated by the board of the district
13 for any lawful school purpose.

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

1 (f) Each district subject to the provisions of this
2 subdivision (H) (4) shall submit an acceptable plan to meet
3 the educational needs of disadvantaged children, in
4 compliance with the requirements of this paragraph, to the
5 State Board of Education prior to July 15 of each year.
6 This plan shall be consistent with the decisions of local
7 school councils concerning the school expenditure plans
8 developed in accordance with part 4 of Section 34-2.3. The
9 State Board shall approve or reject the plan within 60 days
10 after its submission. If the plan is rejected, the district
11 shall give written notice of intent to modify the plan
12 within 15 days of the notification of rejection and then
13 submit a modified plan within 30 days after the date of the
14 written notice of intent to modify. Districts may amend
15 approved plans pursuant to rules promulgated by the State
16 Board of Education.

17 Upon notification by the State Board of Education that
18 the district has not submitted a plan prior to July 15 or a
19 modified plan within the time period specified herein, the
20 State aid funds affected by that plan or modified plan
21 shall be withheld by the State Board of Education until a
22 plan or modified plan is submitted.

23 If the district fails to distribute State aid to
24 attendance centers in accordance with an approved plan, the
25 plan for the following year shall allocate funds, in
26 addition to the funds otherwise required by this

1 subsection, to those attendance centers which were
2 underfunded during the previous year in amounts equal to
3 such underfunding.

4 For purposes of determining compliance with this
5 subsection in relation to the requirements of attendance
6 center funding, each district subject to the provisions of
7 this subsection shall submit as a separate document by
8 December 1 of each year a report of expenditure data for
9 the prior year in addition to any modification of its
10 current plan. If it is determined that there has been a
11 failure to comply with the expenditure provisions of this
12 subsection regarding contravention or supplanting, the
13 State Superintendent of Education shall, within 60 days of
14 receipt of the report, notify the district and any affected
15 local school council. The district shall within 45 days of
16 receipt of that notification inform the State
17 Superintendent of Education of the remedial or corrective
18 action to be taken, whether by amendment of the current
19 plan, if feasible, or by adjustment in the plan for the
20 following year. Failure to provide the expenditure report
21 or the notification of remedial or corrective action in a
22 timely manner shall result in a withholding of the affected
23 funds.

24 The State Board of Education shall promulgate rules and
25 regulations to implement the provisions of this
26 subsection. No funds shall be released under this

1 subdivision (H) (4) to any district that has not submitted a
2 plan that has been approved by the State Board of
3 Education.

4 (H-5) Chicago Opportunity Scholarship Program Adjustments.

5 (1) Funding for City of Chicago School District 299 shall
6 be adjusted to account for the costs of the Chicago Opportunity
7 Scholarship Program established under the Chicago Opportunity
8 Scholarship Act.

9 (2) Beginning in Fiscal Year 2015 and each fiscal year
10 thereafter, the total cost of Chicago Opportunity Scholarships
11 issued under the Chicago Opportunity Scholarship Act shall be
12 deducted from the portion of general State aid City of Chicago
13 School District 299 receives under this Section for that fiscal
14 year.

15 (3) Beginning in Fiscal Year 2016, there shall be an
16 adjustment to the general State aid calculation for City of
17 Chicago School District 299 to provide funding for the Chicago
18 Opportunity Scholarship Program established under the Chicago
19 Opportunity Scholarship Act. The adjustment shall be (i) \$5,200
20 if the students enrolled in nonpublic schools under a Chicago
21 Opportunity Scholarship had been enrolled in the district, less
22 (ii) \$5,200 excluding students enrolled in non-public schools
23 under a Chicago Opportunity Scholarship.

24 (I) (Blank).

1 (J) (Blank).

2 (K) Grants to Laboratory and Alternative Schools.

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

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

21 As used in this Section, "alternative school" means a
22 public school which is created and operated by a Regional
23 Superintendent of Schools and approved by the State Board of
24 Education. Such alternative schools may offer courses of

1 instruction for which credit is given in regular school
2 programs, courses to prepare students for the high school
3 equivalency testing program or vocational and occupational
4 training. A regional superintendent of schools may contract
5 with a school district or a public community college district
6 to operate an alternative school. An alternative school serving
7 more than one educational service region may be established by
8 the regional superintendents of schools of the affected
9 educational service regions. An alternative school serving
10 more than one educational service region may be operated under
11 such terms as the regional superintendents of schools of those
12 educational service regions may agree.

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

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

22 (1) For a school district operating under the financial
23 supervision of an Authority created under Article 34A, the
24 general State aid otherwise payable to that district under this
25 Section, but not the supplemental general State aid, shall be

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

10 (2) (Blank).

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

13 (M) Education Funding Advisory Board.

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

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

24 The Education Funding Advisory Board shall be deemed
25 established, and the initial members appointed by the Governor
26 to serve as members of the Board shall take office, on the date

1 that the Governor makes his or her appointment of the fifth
2 initial member of the Board, whether those initial members are
3 then serving pursuant to appointment and confirmation or
4 pursuant to temporary appointments that are made by the
5 Governor as in the case of vacancies.

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

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

24 (N) (Blank).

1 (O) References.

2 (1) References in other laws to the various subdivisions of
3 Section 18-8 as that Section existed before its repeal and
4 replacement by this Section 18-8.05 shall be deemed to refer to
5 the corresponding provisions of this Section 18-8.05, to the
6 extent that those references remain applicable.

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

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

16 (Source: P.A. 96-45, eff. 7-15-09; 96-152, eff. 8-7-09; 96-300,
17 eff. 8-11-09; 96-328, eff. 8-11-09; 96-640, eff. 8-24-09;
18 96-959, eff. 7-1-10; 96-1000, eff. 7-2-10; 96-1480, eff.
19 11-18-10; 97-339, eff. 8-12-11; 97-351, eff. 8-12-11; 97-742,
20 eff. 6-30-13; 97-813, eff. 7-13-12.)

21 Section 999. Effective date. This Act takes effect June 30,
22 2014.