

AN ACT concerning employment.

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

Section 5. The Unemployment Insurance Act is amended by changing Sections 235, 1500, 1506.1, 1506.3, and 1507 and by adding Section 1507.1 as follows:

(820 ILCS 405/235) (from Ch. 48, par. 345)

Sec. 235. The term "wages" does not include:

A. That part of the remuneration which, after remuneration equal to \$6,000 with respect to employment has been paid to an individual by an employer during any calendar year after 1977 and before 1980, is paid to such individual by such employer during such calendar year; and that part of the remuneration which, after remuneration equal to \$6,500 with respect to employment has been paid to an individual by an employer during each calendar year 1980 and 1981, is paid to such individual by such employer during that calendar year; and that part of the remuneration which, after remuneration equal to \$7,000 with respect to employment has been paid to an individual by an employer during the calendar year 1982 is paid to such individual by such employer during that calendar year.

With respect to the first calendar quarter of 1983, the term "wages" shall include only the remuneration paid to an individual by an employer during such quarter with respect to employment which does not exceed \$7,000. With respect to the three calendar quarters, beginning April 1, 1983, the term "wages" shall include only the remuneration paid to an individual by an employer during such period with respect to employment which when added to the "wages" (as defined in the preceding sentence) paid to such individual by such employer during the first calendar quarter of 1983, does not exceed \$8,000.

With respect to the calendar year 1984, the term "wages" shall include only the remuneration paid to an individual by an employer during that period with respect to employment which does not exceed \$8,000; with respect to calendar years 1985, 1986 and 1987, the term "wages" shall include only the remuneration paid to such individual by such employer during that calendar year with respect to employment which does not exceed \$8,500.

With respect to the calendar years 1988 through 2003, the term "wages" shall include only the remuneration paid to an individual by an employer during that period with respect to employment which does not exceed \$9,000.

With respect to the calendar year 2004, the term "wages" shall include only the remuneration paid to an individual by an employer during that period with respect to employment which does not exceed \$9,800. With respect to the calendar years 2005 through 2009, the term "wages" shall include only the remuneration paid to an individual by an employer during that period with respect to employment which does not exceed the following amounts: \$10,500 with respect to the calendar year 2005; \$11,000 with respect to the calendar year 2006; \$11,500 with respect to the calendar year 2007; \$12,000 with respect to the calendar year 2008; and \$12,300 with respect to the calendar year 2009.

With respect to the calendar year 2010 and each calendar year thereafter, the term "wages" shall include only the remuneration paid to an individual by an employer during that period with respect to employment which does not exceed the sum of the wage base adjustment applicable to that year pursuant to Section 1400.1, plus the maximum amount includable as "wages" pursuant to this subsection with respect to the immediately preceding calendar year. Notwithstanding any provision to the contrary, the maximum amount includable as "wages" pursuant to this Section shall not be less than \$12,300 or greater than \$12,960 with respect to any calendar year after calendar year 2009.

The remuneration paid to an individual by an employer with respect to employment in another State or States, upon which contributions were required of such employer under an unemployment compensation law of such other State or States, shall be included as a part of the remuneration herein referred to. For the purposes of this subsection, any employing unit which succeeds to the organization, trade, or business, or to substantially all of the assets of another employing unit, or to the organization, trade, or business, or to substantially all of the assets of a distinct severable portion of another employing unit, shall be treated as a single unit with its predecessor for the calendar year in which such succession occurs; ~~and~~ any employing unit which is owned or controlled by the same interests which own or control another employing unit shall be treated as a single unit with the unit so owned or controlled by such interests for any calendar year throughout which such ownership or control exists; and, with respect to any trade or business transfer subject to subsection A of Section 1507.1, a transferee, as defined in subsection G of Section 1507.1, shall be treated as a single unit with the transferor, as defined in subsection G of Section 1507.1, for the calendar year in which the transfer occurs. This subsection applies only to Sections 1400, 1405A, and 1500.

B. The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), made to, or on behalf of, an individual or any of his dependents under a plan or system established by an employer which makes provision generally for individuals performing services for him (or for such individuals generally and their dependents) or for a class or classes of such individuals (or for a class or classes of such individuals and their dependents), on account of (1) sickness or accident disability (except those sickness or accident disability payments which would be includable as "wages" in Section 3306(b)(2)(A) of the Federal Internal Revenue Code of 1954, in effect on January 1, 1985, such includable payments to

be attributable in such manner as provided by Section 3306(b) of the Federal Internal Revenue Code of 1954, in effect on January 1, 1985), or (2) medical or hospitalization expenses in connection with sickness or accident disability, or (3) death.

C. Any payment made to, or on behalf of, an employee or his beneficiary which would be excluded from "wages" by subparagraph (A), (B), (C), (D), (E), (F) or (G), of Section 3306(b)(5) of the Federal Internal Revenue Code of 1954, in effect on January 1, 1985.

D. The amount of any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an individual performing services for him after the expiration of six calendar months following the last calendar month in which the individual performed services for such employer.

E. Remuneration paid in any medium other than cash by an employing unit to an individual for service in agricultural labor as defined in Section 214.

F. The amount of any supplemental payment made by an employer to an individual performing services for him, other than remuneration for services performed, under a shared work plan approved by the Director pursuant to Section 407.1.

(Source: P.A. 93-634, eff. 1-1-04; 93-676, eff. 6-22-04.)

(820 ILCS 405/1500) (from Ch. 48, par. 570)

Sec. 1500. Rate of contribution.

A. For the six months' period beginning July 1, 1937, and for each of the calendar years 1938 to 1959, inclusive, each employer shall pay contributions on wages at the percentages specified in or determined in accordance with the provisions of this Act as amended and in effect on July 11, 1957.

B. For the calendar years 1960 through 1983, each employer shall pay contributions equal to 2.7 percent with respect to wages for insured work paid during each such calendar year, except that the contribution rate of each employer who has

incurred liability for the payment of contributions within each of the three calendar years immediately preceding the calendar year for which a rate is being determined, shall be determined as provided in Sections 1501 to 1507, inclusive.

For the calendar year 1984 and each calendar year thereafter, each employer shall pay contributions at a percentage rate equal to the greatest of 2.7%, or 2.7% multiplied by the current adjusted State experience factor, as determined for each calendar year by the Director in accordance with the provisions of Sections 1504 and 1505, or the average contribution rate for his major classification in the Standard Industrial Code, or another classification sanctioned by the United States Department of Labor and prescribed by the Director by rule, with respect to wages for insured work paid during such year. The Director of Employment Security shall determine for calendar year 1984 and each calendar year thereafter by a method pursuant to adopted rules each individual employer's industrial code and the average contribution rate for each major classification in the Standard Industrial Code, or each other classification sanctioned by the United States Department of Labor and prescribed by the Director by rule. Notwithstanding the preceding provisions of this paragraph, the contribution rate for calendar years 1984, 1985 and 1986 of each employer who has incurred liability for the payment of contributions within each of the two calendar years immediately preceding the calendar year for which a rate is being determined, and the contribution rate for calendar year 1987 and each calendar year thereafter of each employer who has incurred liability for the payment of contributions within each of the three calendar years immediately preceding the calendar year for which a rate is being determined shall be determined as provided in Sections 1501 to 1507.1 ~~1507~~, inclusive. Provided, however, that the contribution rate for calendar years 1989 and 1990 of each employer who has had experience with the risk of unemployment for at least 13 consecutive months ending June 30 of the preceding calendar

year shall be a rate determined in accordance with this Section or a rate determined as if it had been calculated in accordance with Sections 1501 through 1507, inclusive, whichever is greater, except that for purposes of calculating the benefit wage ratio as provided in Section 1503, such benefit wage ratio shall be a percentage equal to the total of benefit wages for the 12 consecutive calendar month period ending on the above preceding June 30, divided by the total wages for insured work subject to the payment of contributions under Sections 234, 235 and 245 for the same period and provided, further, however, that the contribution rate for calendar year 1991 and for each calendar year thereafter of each employer who has had experience with the risk of unemployment for at least 13 consecutive months ending June 30 of the preceding calendar year shall be a rate determined in accordance with this Section or a rate determined as if it had been calculated in accordance with Sections 1501 through 1507.1 ~~1507~~, inclusive, whichever is greater, except that for purposes of calculating the benefit ratio as provided in Section 1503.1, such benefit ratio shall be a percentage equal to the total of benefit charges for the 12 consecutive calendar month period ending on the above preceding June 30, multiplied by the benefit conversion factor applicable to such year, divided by the total wages for insured work subject to the payment of contributions under Sections 234, 235 and 245 for the same period.

C. Except as expressly provided in this Act, the provisions of Sections 1500 to 1510, inclusive, do not apply to any nonprofit organization for any period with respect to which it does not incur liability for the payment of contributions by reason of having elected to make payments in lieu of contributions, or to any political subdivision or municipal corporation for any period with respect to which it is not subject to payments in lieu of contributions under the provisions of paragraph 1 of Section 302C by reason of having elected to make payments in lieu of contributions under paragraph 2 of that Section or to any governmental entity

referred to in clause (B) of Section 211.1. Wages paid to an individual which are subject to contributions under Section 1405 A, or on the basis of which benefits are paid to him which are subject to payment in lieu of contributions under Sections 1403, 1404, or 1405 B, or under paragraph 2 of Section 302C, shall not become benefit wages or benefit charges under the provisions of Sections 1501 or 1501.1, respectively, except for purposes of determining a rate of contribution for 1984 and each calendar year thereafter for any governmental entity referred to in clause (B) of Section 211.1 which does not elect to make payments in lieu of contributions.

D. If an employer's business is closed solely because of the entrance of one or more of the owners, partners, officers, or the majority stockholder into the armed forces of the United States, or of any of its allies, or of the United Nations, and, if the business is resumed within two years after the discharge or release of such person or persons from active duty in the armed forces, the employer will be deemed to have incurred liability for the payment of contributions continuously throughout such period. Such an employer, for the purposes of Section 1506.1, will be deemed to have paid contributions upon wages for insured work during the applicable period specified in Section 1503 on or before the date designated therein, provided that no wages became benefit wages during the applicable period specified in Section 1503.

(Source: P.A. 91-342, eff. 1-1-00.)

(820 ILCS 405/1506.1) (from Ch. 48, par. 576.1)

Sec. 1506.1. Determination of Employer's Contribution Rate.

A. The contribution rate for any calendar year prior to 1982 of each employer who has incurred liability for the payment of contributions within each of the three calendar years immediately preceding the calendar year for which a rate is being determined shall be determined in accordance with the provisions of this Act as amended and in effect on October 5,

1980.

B. The contribution rate for calendar years 1982 and 1983 of each employer who has incurred liability for the payment of contributions within each of the three calendar years immediately preceding the calendar year for which a rate is being determined shall be the product obtained by multiplying the employer's benefit wage ratio for that calendar year by the adjusted state experience factor for the same year, provided that:

1. No employer's contribution rate shall be lower than two-tenths of 1 percent or higher than 5.3%; and

2. Intermediate contribution rates between such minimum and maximum rates shall be at one-tenth of 1 percent intervals.

3. If the product obtained as provided in this subsection is not an exact multiple of one-tenth of 1 percent, it shall be increased or reduced, as the case may be, to the nearer multiple of one-tenth of 1 percent. If such product is equally near to two multiples of one-tenth of 1 percent, it shall be increased to the higher multiple of one-tenth of 1 percent. If such product is less than two-tenths of one percent, it shall be increased to two-tenths of 1 percent, and if greater than 5.3%, it shall be reduced to 5.3%.

The contribution rate of each employer for whom wages became benefit wages during the applicable period specified in Section 1503, but who paid no contributions upon wages for insured work during such period on or before the date designated in Section 1503, shall be 5.3%.

The contribution rate of each employer for whom no wages became benefit wages during the applicable period specified in Section 1503, and who paid no contributions upon wages for insured work during such period on or before the date specified in Section 1503, shall be 2.7 percent.

Notwithstanding the other provisions of this Section, no employer's contribution rate with respect to calendar years

1982 and 1983 shall exceed 2.7 percent of the wages for insured work paid by him during any calendar quarter, if such wages paid during such calendar quarter total less than \$50,000.

C. The contribution rate for calendar years 1984, 1985 and 1986 of each employer who has incurred liability for the payment of contributions within each of the two calendar years immediately preceding the calendar year for which a rate is being determined shall be the product obtained by multiplying the employer's benefit wage ratio for that calendar year by the adjusted state experience factor for the same year, provided that:

1. An employer's minimum contribution rate shall be the greater of: .2%; or, the product obtained by multiplying .2% by the adjusted state experience factor for the applicable calendar year.

2. An employer's maximum contribution rate shall be the greater of 5.5% or the product of 5.5% and the adjusted State experience factor for the applicable calendar year except that such maximum contribution rate shall not be higher than 6.3% for calendar year 1984, nor be higher than 6.6% or lower than 6.4% for calendar year 1985, nor be higher than 6.7% or lower than 6.5% for calendar year 1986.

3. If any product obtained in this subsection is not an exact multiple of one-tenth of one percent, it shall be increased or reduced, as the case may be to the nearer multiple of one-tenth of one percent. If such product is equally near to two multiples of one-tenth of one percent, it shall be increased to the higher multiple of one-tenth of one percent.

4. Intermediate rates between such minimum and maximum rates shall be at one-tenth of one percent intervals.

The contribution rate of each employer for whom wages became benefit wages during the applicable period specified in Section 1503, but who paid no contributions upon wages for insured work during such period on or before the date designated in Section 1503, shall be the maximum contribution

rate as determined by paragraph 2 of this subsection. The contribution rate for each employer for whom no wages became benefit wages during the applicable period on or before the date specified in Section 1503, and who paid no contributions upon wages for insured work during such period on or before the date specified in Section 1503, shall be the greater of 2.7% or 2.7% times the then current adjusted state experience factor as determined by the Director in accordance with the provisions of Sections 1504 and 1505.

Notwithstanding, the other provisions of this Section, no employer's contribution rate with respect to the calendar year 1984 shall exceed 2.7 percent times the then current adjusted state experience factor as determined by the Director in accordance with the provisions of Sections 1504 and 1505 of the wages for insured work paid by him during any calendar quarter, if such wages paid during such calendar quarter total less than \$50,000.

D. The contribution rate for calendar years 1987, 1988, 1989 and 1990 of each employer who has incurred liability for the payment of contributions within each of the three calendar years immediately preceding the calendar year for which a rate is being determined shall be the product obtained by multiplying the employer's benefit wage ratio for that calendar year by the adjusted state experience factor for the same year, provided, that:

1. An employer's minimum contribution rate shall be the greater of .2% or the product obtained by multiplying .2% by the adjusted State experience factor for the applicable calendar year.

2. An employer's maximum contribution rate shall be the greater of 5.5% or the product of 5.5% and the adjusted State experience factor for the calendar year 1987 except that such maximum contribution rate shall not be higher than 6.7% or lower than 6.5% and an employer's maximum contribution rate for 1988, 1989 and 1990 shall be the greater of 6.4% or the product of 6.4% and the adjusted

State experience factor for the applicable calendar year.

3. If any product obtained in this subsection is not an exact multiple of one-tenth of one percent, it shall be increased or reduced, as the case may be to the nearer multiple of one-tenth of 1 percent. If such product is equally near to two multiples of one-tenth of 1 percent, it shall be increased to the higher multiple of one-tenth of 1 percent.

4. Intermediate rates between such minimum and maximum rates shall be at one-tenth of 1 percent intervals.

The contribution rate of each employer for whom wages became benefit wages during the applicable period specified in Section 1503, but who did not report wages for insured work during such period, shall be the maximum contribution rate as determined by paragraph 2 of this subsection. The contribution rate for each employer for whom no wages became benefit wages during the applicable period specified in Section 1503, and who did not report wages for insured work during such period, shall be the greater of 2.7% or 2.7% times the then current adjusted State experience factor as determined by the Director in accordance with the provisions of Sections 1504 and 1505.

E. The contribution rate for calendar year 1991 and each calendar year thereafter of each employer who has incurred liability for the payment of contributions within each of the three calendar years immediately preceding the calendar year for which a rate is being determined shall be the product obtained by multiplying the employer's benefit ratio defined by Section 1503.1 for that calendar year by the adjusted state experience factor for the same year, provided that:

1. Except as otherwise provided in this paragraph, an employer's minimum contribution rate shall be the greater of 0.2% or the product obtained by multiplying 0.2% by the adjusted state experience factor for the applicable calendar year. An employer's minimum contribution rate shall be 0.1% for calendar year 1996.

2. An employer's maximum contribution rate shall be the

greater of 6.4% or the product of 6.4% and the adjusted state experience factor for the applicable calendar year.

3. If any product obtained in this subsection is not an exact multiple of one-tenth of one percent, it shall be increased or reduced, as the case may be to the nearer multiple of one-tenth of one percent. If such product is equally near to two multiples of one-tenth of one percent, it shall be increased to the higher multiple of one-tenth of one percent.

4. Intermediate rates between such minimum and maximum rates shall be at one-tenth of one percent intervals.

The contribution rate of each employer for whom wages became benefit wages during the applicable period specified in Section 1503 or for whom benefit payments became benefit charges during the applicable period specified in Section 1503.1, but who did not report wages for insured work during such period, shall be the maximum contribution rate as determined by paragraph 2 of this subsection. The contribution rate for each employer for whom no wages became benefit wages during the applicable period specified in Section 1503 or for whom no benefit payments became benefit charges during the applicable period specified in Section 1503.1, and who did not report wages for insured work during such period, shall be the greater of 2.7% or 2.7% times the then current adjusted state experience factor as determined by the Director in accordance with the provisions of Sections 1504 and 1505.

F. Notwithstanding the other provisions of this Section, and pursuant to Section 271 of the Tax Equity and Fiscal Responsibility Act of 1982, as amended, no employer's contribution rate with respect to calendar years 1985, 1986, 1987 and 1988 shall, for any calendar quarter during which the wages paid by that employer are less than \$50,000, exceed the following: with respect to calendar year 1985, 3.7%; with respect to calendar year 1986, 4.1%; with respect to calendar year 1987, 4.5%; and with respect to calendar year 1988, 5.0%.

G. Notwithstanding the other provisions of this Section, no

employer's contribution rate with respect to calendar year 1989 and each calendar year thereafter shall exceed 5.4% of the wages for insured work paid by him during any calendar quarter, if such wages paid during such calendar quarter total less than \$50,000, plus any applicable penalty contribution rate calculated pursuant to subsection C of Section 1507.1.

(Source: P.A. 89-446, eff. 2-8-96.)

(820 ILCS 405/1506.3) (from Ch. 48, par. 576.3)

Sec. 1506.3. Fund building rates - Temporary Administrative Funding.

A. Notwithstanding any other provision of this Act, the following fund building rates shall be in effect for the following calendar years:

For each employer whose contribution rate for 1988, 1989, 1990, the first, third, and fourth quarters of 1991, 1992, 1993, 1994, 1995, and 1997 through 2003 would, in the absence of this Section, be 0.2% or higher, a contribution rate which is the sum of such rate and a fund building rate of 0.4%;

For each employer whose contribution rate for the second quarter of 1991 would, in the absence of this Section, be 0.2% or higher, a contribution rate which is the sum of such rate and 0.3%;

For each employer whose contribution rate for 1996 would, in the absence of this Section, be 0.1% or higher, a contribution rate which is the sum of such rate and 0.4%;

For each employer whose contribution rate for 2004 through 2009 would, in the absence of this Section, be 0.2% or higher, a contribution rate which is the sum of such rate and the following: a fund building rate of 0.7% for 2004; a fund building rate of 0.9% for 2005; a fund building rate of 0.8% for 2006 and 2007; a fund building rate of 0.6% for 2008; a fund building rate of 0.4% for 2009.

For each employer whose contribution rate for 2010 and any calendar year thereafter would, in the absence of this Section, be 0.2% or higher, a contribution rate which is the sum of such

rate and a fund building rate equal to the sum of the rate adjustment applicable to that year pursuant to Section 1400.1, plus the fund building rate in effect pursuant to this Section for the immediately preceding calendar year. Notwithstanding any provision to the contrary, the fund building rate in effect for any calendar year after calendar year 2009 shall not be less than 0.4% or greater than 0.55%.

Notwithstanding the preceding paragraphs of this Section or any other provision of this Act, except for the provisions contained in Section 1500 pertaining to rates applicable to employers classified under the Standard Industrial Code, or another classification system sanctioned by the United States Department of Labor and prescribed by the Director by rule, no employer whose total wages for insured work paid by him during any calendar quarter in 1988 and any calendar year thereafter are less than \$50,000 shall pay contributions at a rate with respect to such quarter which exceeds the following: with respect to calendar year 1988, 5%; with respect to 1989 and any calendar year thereafter, 5.4%, plus any penalty contribution rate calculated pursuant to subsection C of Section 1507.1.

Notwithstanding the preceding paragraph of this Section, or any other provision of this Act, no employer's contribution rate with respect to calendar years 1993 through 1995 shall exceed 5.4% if the employer ceased operations at an Illinois manufacturing facility in 1991 and remained closed at that facility during all of 1992, and the employer in 1993 commits to invest at least \$5,000,000 for the purpose of resuming operations at that facility, and the employer rehires during 1993 at least 250 of the individuals employed by it at that facility during the one year period prior to the cessation of its operations, provided that, within 30 days after the effective date of this amendatory Act of 1993, the employer makes application to the Department to have the provisions of this paragraph apply to it. The immediately preceding sentence shall be null and void with respect to an employer which by December 31, 1993 has not satisfied the rehiring requirement

specified by this paragraph or which by December 31, 1994 has not made the investment specified by this paragraph. All payments attributable to the fund building rate established pursuant to this Section with respect to the fourth quarter of calendar year 2003, the first quarter of calendar year 2004 and any calendar quarter thereafter as of the close of which there are either bond obligations outstanding pursuant to the Illinois Unemployment Insurance Trust Fund Financing Act, or bond obligations anticipated to be outstanding as of either or both of the 2 immediately succeeding calendar quarters, shall be directed for deposit into the Master Bond Fund. Notwithstanding any other provision of this subsection, no fund building rate shall be added to any penalty contribution rate assessed pursuant to subsection C of Section 1507.1.

B. Notwithstanding any other provision of this Act, for the second quarter of 1991, the contribution rate of each employer as determined in accordance with Sections 1500, 1506.1, and subsection A of this Section shall be equal to the sum of such rate and 0.1%; provided that this subsection shall not apply to any employer whose rate computed under Section 1506.1 for such quarter is between 5.1% and 5.3%, inclusive, and who qualifies for the 5.4% rate ceiling imposed by the last paragraph of subsection A for such quarter. All payments made pursuant to this subsection shall be deposited in the Employment Security Administrative Fund established under Section 2103.1 and used for the administration of this Act.

C. Payments received by the Director which are insufficient to pay the total contributions due under the Act shall be first applied to satisfy the amount due pursuant to subsection B.

C-1. Payments received by the Director with respect to the fourth quarter of calendar year 2003, the first quarter of calendar year 2004 and any calendar quarter thereafter as of the close of which there are either bond obligations outstanding pursuant to the Illinois Unemployment Insurance Trust Fund Financing Act, or bond obligations anticipated to be outstanding as of either or both of the 2 immediately

succeeding calendar quarters, shall, to the extent they are insufficient to pay the total amount due under the Act with respect to the quarter, be first applied to satisfy the amount due with respect to that quarter and attributable to the fund building rate established pursuant to this Section. Notwithstanding any other provision to the contrary, with respect to an employer whose contribution rate with respect to a quarter subject to this subsection would have exceeded 5.4% but for the 5.4% rate ceiling imposed pursuant to subsection A, the amount due from the employer with respect to that quarter and attributable to the fund building rate established pursuant to subsection A shall equal the amount, if any, by which the amount due and attributable to the 5.4% rate exceeds the amount that would have been due and attributable to the employer's rate determined pursuant to Sections 1500 and 1506.1, without regard to the fund building rate established pursuant to subsection A.

D. All provisions of this Act applicable to the collection or refund of any contribution due under this Act shall be applicable to the collection or refund of amounts due pursuant to subsection B and amounts directed pursuant to this Section for deposit into the Master Bond Fund to the extent they would not otherwise be considered as contributions.

(Source: P.A. 93-634, eff. 1-1-04.)

(820 ILCS 405/1507) (from Ch. 48, par. 577)

Sec. 1507. Contribution rates of successor and predecessor employing units.

A. Whenever any employing unit succeeds to substantially all of the employing enterprises of another employing unit, then in determining contribution rates for any calendar year, the experience rating record of the predecessor prior to the succession shall be transferred to the successor and thereafter it shall not be treated as the experience rating record of the predecessor, except as provided in subsection B. For the purposes of this Section, such experience rating record shall

consist of all years during which liability for the payment of contributions was incurred by the predecessor prior to the succession, all benefit wages based upon wages paid by the predecessor prior to the succession, all benefit charges based on separations from, or reductions in work initiated by, the predecessor prior to the succession, and all wages for insured work paid by the predecessor prior to the succession. This amendatory Act of the 93rd General Assembly is intended to be a continuation of prior law.

B. The provisions of this subsection shall be applicable only to the determination of contribution rates for the calendar year 1956 and for each calendar year thereafter. Whenever any employing unit has succeeded to substantially all of the employing enterprises of another employing unit, but the predecessor employing unit has retained a distinct severable portion of its employing enterprises or whenever any employing unit has succeeded to a distinct severable portion which is less than substantially all of the employing enterprises of another employing unit, the successor employing unit shall acquire the experience rating record attributable to the portion to which it has succeeded, and the predecessor employing unit shall retain the experience rating record attributable to the portion which it has retained, if--

1. It files a written application for such experience rating record which is joined in by the employing unit which is then entitled to such experience rating record; and

2. The joint application contains such information as the Director shall by regulation prescribe which will show that such experience rating record is identifiable and segregable and, therefore, capable of being transferred; and

3. The joint application is filed prior to whichever of the following dates is the latest: (a) July 1, 1956; (b) one year after the date of the succession; or (c) the date that the rate determination of the employing unit which has

applied for such experience rating record has become final for the calendar year immediately following the calendar year in which the succession occurs. The filing of a timely joint application shall not affect any rate determination which has become final, as provided by Section 1509.

If all of the foregoing requirements are met, then the Director shall transfer such experience rating record to the employing unit which has applied therefor, and it shall not be treated as the experience rating record of the employing unit which has joined in the application.

Whenever any employing unit is reorganized into two or more employing units, and any of such employing units are owned or controlled by the same interests which owned or controlled the predecessor prior to the reorganization, and the provisions of this subsection become applicable thereto, then such affiliated employing units during the period of their affiliation shall be treated as a single employing unit for the purpose of determining their rates of contributions.

C. For the calendar year in which a succession occurs which results in the total or partial transfer of a predecessor's experience rating record, the contribution rates of the parties thereto shall be determined in the following manner:

1. If any of such parties had a contribution rate applicable to it for that calendar year, it shall continue with such contribution rate.

2. If any successor had no contribution rate applicable to it for that calendar year, and only one predecessor is involved, then the contribution rate of the successor shall be the same as that of its predecessor.

3. If any successor had no contribution rate applicable to it for that calendar year, and two or more predecessors are involved, then the contribution rate of the successor shall be computed, on the combined experience rating records of the predecessors or on the appropriate part of such records if any partial transfer is involved, as provided in Sections 1500 to 1507, inclusive.

4. Notwithstanding the provisions of paragraphs 2 and 3 of this subsection, if any succession occurs prior to the calendar year 1956 and the successor acquires part of the experience rating record of the predecessor as provided in subsection B of this Section, then the contribution rate of that successor for the calendar year in which such succession occurs shall be 2.7 percent.

D. The provisions of this Section shall not be applicable if the provisions of Section 1507.1 are applicable.

(Source: P.A. 93-634, eff. 1-1-04.)

(820 ILCS 405/1507.1 new)

Sec. 1507.1. Transfer of trade or business; contribution rate. Notwithstanding any other provision of this Act:

A.(1) If an individual or entity transfers its trade or business, or a portion thereof, and, at the time of the transfer, there is any substantial common ownership, management, or control of the transferor and transferee, then the experience rating records of the transferor and transferee shall be combined for the purpose of determining their rates of contribution. For purposes of this subsection, a transfer of trade or business includes but is not limited to the transfer of some or all of the transferor's workforce.

(2) For the calendar year in which there occurs a transfer to which paragraph (1) applies:

(a) If the transferor or transferee had a contribution rate applicable to it for the calendar year, it shall continue with that contribution rate for the remainder of the calendar year.

(b) If the transferee had no contribution rate applicable to it for the calendar year, then the contribution rate of the transferee shall be computed for the calendar year based on the experience rating record of the transferor or, where there is more than one transferor, the combined experience rating records of the transferors, subject to the 5.4% rate ceiling established pursuant to

subsection G of Section 1506.1 and subsection A of Section 1506.3.

B. If any individual or entity that is not an employer under this Act at the time of the acquisition acquires the trade or business of an employing unit, the experience rating record of the acquired business shall not be transferred to the individual or entity if the Director finds that the individual or entity acquired the business solely or primarily for the purpose of obtaining a lower rate of contributions. Evidence that a business was acquired solely or primarily for the purpose of obtaining a lower rate of contributions includes but is not necessarily limited to the following: the cost of acquiring the business is low in relation to the individual's or entity's overall operating costs subsequent to the acquisition; the individual or entity discontinued the business enterprise of the acquired business immediately or shortly after the acquisition; or the individual or entity hired a significant number of individuals for performance of duties unrelated to the business activity conducted prior to acquisition.

C. An individual or entity to which subsection A applies shall pay contributions with respect to each calendar year at a rate consistent with that subsection, and an individual or entity to which subsection B applies shall pay contributions with respect to each calendar year at a rate consistent with that subsection. If an individual or entity knowingly violates or attempts to violate this subsection, the individual or entity shall be subject to the following penalties:

(1) If the individual or entity is an employer, then, in addition to the contribution rate that would otherwise be calculated (including any fund building rate provided for pursuant to Section 1506.3), the employer shall be assigned a penalty contribution rate equivalent to 50% of the contribution rate (including any fund building rate provided for pursuant to Section 1506.3), as calculated without regard to this subsection for the calendar year

with respect to which the violation or attempted violation occurred and the immediately following calendar year. In the case of an employer whose contribution rate, as calculated without regard to this subsection or Section 1506.3, equals or exceeds the maximum rate established pursuant to paragraph 2 of subsection E of Section 1506.1, the penalty rate shall equal 50% of the sum of that maximum rate and the fund building rate provided for pursuant to Section 1506.3. In the case of an employer whose contribution rate is subject to the 5.4% rate ceiling established pursuant to subsection G of Section 1506.1 and subsection A of Section 1506.3, the penalty rate shall equal 2.7%. If any product obtained pursuant to this subsection is not an exact multiple of one-tenth of 1%, it shall be increased or reduced, as the case may be, to the nearer multiple of one-tenth of 1%. If such product is equally near to 2 multiples of one-tenth of 1%, it shall be increased to the higher multiple of one-tenth of 1%. Any payment attributable to the penalty contribution rate shall be deposited into the clearing account.

(2) If the individual or entity is not an employer, the individual or entity shall be subject to a penalty of \$10,000 for each violation. Any penalty attributable to this paragraph (2) shall be deposited into the Special Administrative Account.

D. An individual or entity shall not knowingly advise another in a way that results in a violation of subsection C. An individual or entity that violates this subsection shall be subject to a penalty of \$10,000 for each violation. Any such penalty shall be deposited into the Special Administrative Account.

E. Any individual or entity that knowingly violates subsection C or D shall be guilty of a Class B misdemeanor. In the case of a corporation, the president, the secretary, and the treasurer, and any other officer exercising corresponding functions, shall each be subject to the aforesaid penalty for

knowingly violating subsection C or D.

F. The Director shall establish procedures to identify the transfer or acquisition of a trade or business for purposes of this Section.

G. For purposes of this Section:

"Experience rating record" shall consist of years during which liability for the payment of contributions was incurred, all benefit charges incurred, and all wages paid for insured work, including but not limited to years, benefit charges, and wages attributed to an individual or entity pursuant to Section 1507 or subsection A.

"Knowingly" means having actual knowledge of or acting with deliberate ignorance of or reckless disregard for the statutory provision involved.

"Transferee" means any individual or entity to which the transferor transfers its trade or business or any portion thereof.

"Transferor" means the individual or entity that transfers its trade or business or any portion thereof.

H. This Section shall be interpreted and applied in such a manner as to meet the minimum requirements contained in any guidance or regulations issued by the United States Department of Labor. Insofar as it applies to the interpretation and application of the term "substantial", as used in subsection A, this subsection H is not intended to alter the meaning of "substantially", as used in Section 1507 and construed by precedential judicial opinion, or any comparable term as elsewhere used in this Act.