

1 AN ACT concerning revenue.

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

4 Section 1. This Act shall be known as the Taxpayer
5 Accountability and Budget Stabilization Act.

6 Section 5. The Secretary of State Act is amended by
7 changing Section 5 as follows:

8 (15 ILCS 305/5) (from Ch. 124, par. 5)

9 Sec. 5. It shall be the duty of the Secretary of State:

10 1. To countersign and affix the seal of state to all
11 commissions required by law to be issued by the Governor.

12 2. To make a register of all appointments by the Governor,
13 specifying the person appointed, the office conferred, the date
14 of the appointment, the date when bond or oath is taken and the
15 date filed. If Senate confirmation is required, the date of the
16 confirmation shall be included in the register.

17 3. To make proper indexes to public acts, resolutions,
18 papers and documents in his office.

19 3-a. To review all rules of all State agencies adopted in
20 compliance with the codification system prescribed by the
21 Secretary. The review shall be for the purposes and include all
22 the powers and duties provided in the Illinois Administrative

1 Procedure Act. The Secretary of State shall cooperate with the
2 Legislative Information System to insure the accuracy of the
3 text of the rules maintained under the Legislative Information
4 System Act.

5 4. To give any person requiring the same paying the lawful
6 fees therefor, a copy of any law, act, resolution, record or
7 paper in his office, and attach thereto his certificate, under
8 the seal of the state.

9 5. To take charge of and preserve from waste, and keep in
10 repair, the houses, lots, grounds and appurtenances, situated
11 in the City of Springfield, and belonging to or occupied by the
12 State, the care of which is not otherwise provided for by law,
13 and to take charge of and preserve from waste, and keep in
14 repair, the houses, lots, grounds and appurtenances, situated
15 in the State outside the City of Springfield where such houses,
16 lots, grounds and appurtenances are occupied by the Secretary
17 of State and no other State officer or agency.

18 6. To supervise the distribution of the laws.

19 7. To perform such other duties as may be required by law.
20 The Secretary of State may, within appropriations authorized by
21 the General Assembly, maintain offices in the State Capital and
22 in such other places in the State as he may deem necessary to
23 properly carry out the powers and duties vested in him by law.

24 8. In addition to all other authority granted to the
25 Secretary by law, subject to appropriation, to make grants or
26 otherwise provide assistance to, among others without

1 limitation, units of local government, school districts,
2 educational institutions, private agencies, not-for-profit
3 organizations, and for-profit entities for the health, safety,
4 and welfare of Illinois residents for purposes related to
5 education, transportation, construction, capital improvements,
6 social services, and any other lawful public purpose. Upon
7 request of the Secretary, all State agencies are mandated to
8 provide the Secretary with assistance in administering the
9 grants.

10 9. To notify the Auditor General of any Public Act filed
11 with the Office of the Secretary of State making an
12 appropriation or transfer of funds from the State treasury.
13 This paragraph (9) applies only through June 30, 2015.

14 (Source: P.A. 96-37, eff. 7-13-09.)

15 Section 10. The Illinois State Auditing Act is amended by
16 adding Section 3-20 as follows:

17 (30 ILCS 5/3-20 new)

18 Sec. 3-20. Spending limitation reports. The Auditor
19 General shall issue reports in accordance with Section 201.5 of
20 the Illinois Income Tax Act. This Section applies through June
21 30, 2015 or the effective date of a reduction in the rate of
22 tax imposed by subsections (a) and (b) of Section 201 of the
23 Illinois Income Tax Act pursuant to Section 201.5 of the
24 Illinois Income Tax Act, whichever is earlier.

1 Section 15. The State Finance Act is amended by adding
2 Sections 5.786, 5.787, 6z-85, 6z-86, and 25.2 as follows:

3 (30 ILCS 105/5.786 new)

4 Sec. 5.786. The Fund for the Advancement of Education.

5 (30 ILCS 105/5.787 new)

6 Sec. 5.787. The Commitment to Human Services Fund.

7 (30 ILCS 105/6z-85 new)

8 Sec. 6z-85. The Fund for the Advancement of Education;
9 creation. The Fund for the Advancement of Education is hereby
10 created as a special fund in the State treasury. All moneys
11 deposited into the fund shall be appropriated to provide
12 financial assistance for education programs. Moneys
13 appropriated from the Fund shall supplement and not supplant
14 the current level of education funding.

15 (30 ILCS 105/6z-86 new)

16 Sec. 6z-86. The Commitment to Human Services Fund; uses.
17 The Commitment to Human Services Fund is hereby created as a
18 special fund in the State treasury. All moneys deposited into
19 the fund shall be appropriated to provide financial assistance
20 for community-based human service providers and for State
21 funded human service programs. Moneys appropriated from the

1 Fund shall supplement and not supplant the current level of
2 human services funding.

3 (30 ILCS 105/25.2 new)

4 Sec. 25.2. Statutory mandates not designated in law as
5 being subject to appropriation. Notwithstanding any law to the
6 contrary, from the effective date of this Section through
7 fiscal year 2015, with respect to any statutory mandate that is
8 not designated in law as being subject to appropriation, if and
9 only if the Governor determines that funds appropriated for
10 such statutory mandates are insufficient to satisfy those
11 mandates, the Governor may reduce the amount of funds
12 appropriated for some or all of those statutory mandates in
13 amounts he or she deems necessary to accommodate budgetary
14 limitations while attempting to implement such mandates to the
15 extent reasonably practical. The reduction shall become
16 effective upon the Governor giving notice of the reduction to
17 the Speaker of the House of Representatives, the President of
18 the Senate, the Minority Leader of the House of
19 Representatives, the Minority Leader of the Senate, the State
20 Comptroller, the State Treasurer, and the Commission on
21 Government Forecasting and Accountability. Nothing in this
22 Section prohibits adjustments to the Governor's reduction by
23 law.

24 Section 20. The Illinois Income Tax Act is amended by

1 changing Sections 201, 207, 804, and 901 and by adding Sections
2 201.5 and 202.5 as follows:

3 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

4 Sec. 201. Tax Imposed.

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

12 (b) Rates. The tax imposed by subsection (a) of this
13 Section shall be determined as follows, except as adjusted by
14 subsection (d-1):

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

19 (2) In the case of an individual, trust or estate, for
20 taxable years beginning prior to July 1, 1989 and ending
21 after June 30, 1989, an amount equal to the sum of (i) 2
22 1/2% of the taxpayer's net income for the period prior to
23 July 1, 1989, as calculated under Section 202.3, and (ii)
24 3% of the taxpayer's net income for the period after June
25 30, 1989, as calculated under Section 202.3.

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

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

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

17 (5.1) In the case of an individual, trust, or estate,
18 for taxable years beginning prior to January 1, 2015, and
19 ending after December 31, 2014, an amount equal to the sum
20 of (i) 5% of the taxpayer's net income for the period prior
21 to January 1, 2015, as calculated under Section 202.5, and
22 (ii) 3.75% of the taxpayer's net income for the period
23 after December 31, 2014, as calculated under Section 202.5.

24 (5.2) In the case of an individual, trust, or estate,
25 for taxable years beginning on or after January 1, 2015,
26 and ending prior to January 1, 2025, an amount equal to

1 3.75% of the taxpayer's net income for the taxable year.

2 (5.3) In the case of an individual, trust, or estate,
3 for taxable years beginning prior to January 1, 2025, and
4 ending after December 31, 2024, an amount equal to the sum
5 of (i) 3.75% of the taxpayer's net income for the period
6 prior to January 1, 2025, as calculated under Section
7 202.5, and (ii) 3.25% of the taxpayer's net income for the
8 period after December 31, 2024, as calculated under Section
9 202.5.

10 (5.4) In the case of an individual, trust, or estate,
11 for taxable years beginning on or after January 1, 2025, an
12 amount equal to 3.25% of the taxpayer's net income for the
13 taxable year.

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

17 (7) In the case of a corporation, for taxable years
18 beginning prior to July 1, 1989 and ending after June 30,
19 1989, an amount equal to the sum of (i) 4% of the
20 taxpayer's net income for the period prior to July 1, 1989,
21 as calculated under Section 202.3, and (ii) 4.8% of the
22 taxpayer's net income for the period after June 30, 1989,
23 as calculated under Section 202.3.

24 (8) In the case of a corporation, for taxable years
25 beginning after June 30, 1989, and ending prior to January
26 1, 2011, an amount equal to 4.8% of the taxpayer's net

1 income for the taxable year.

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

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

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

20 (12) In the case of a corporation, for taxable years
21 beginning on or after January 1, 2015, and ending prior to
22 January 1, 2025, an amount equal to 5.25% of the taxpayer's
23 net income for the taxable year.

24 (13) In the case of a corporation, for taxable years
25 beginning prior to January 1, 2025, and ending after
26 December 31, 2024, an amount equal to the sum of (i) 5.25%

1 of the taxpayer's net income for the period prior to
2 January 1, 2025, as calculated under Section 202.5, and
3 (ii) 4.8% of the taxpayer's net income for the period after
4 December 31, 2024, as calculated under Section 202.5.

5 (14) In the case of a corporation, for taxable years
6 beginning on or after January 1, 2025, an amount equal to
7 4.8% of the taxpayer's net income for the taxable year.

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

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

23 (d) Additional Personal Property Tax Replacement Income
24 Tax Rates. The personal property tax replacement income tax
25 imposed by this subsection and subsection (c) of this Section
26 in the case of a corporation, other than a Subchapter S

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

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

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

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

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

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

25 (2) Any reduction in the rates of tax imposed by this
26 subsection shall be applied first against the rates imposed

1 by subsection (b) and only after the tax imposed by
2 subsection (a) net of all credits allowed under this
3 Section other than the credit allowed under subsection (i)
4 has been reduced to zero, against the rates imposed by
5 subsection (d).

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

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

11 (1) A taxpayer shall be allowed a credit equal to .5%
12 of the basis of qualified property placed in service during
13 the taxable year, provided such property is placed in
14 service on or after July 1, 1984. There shall be allowed an
15 additional credit equal to .5% of the basis of qualified
16 property placed in service during the taxable year,
17 provided such property is placed in service on or after
18 July 1, 1986, and the taxpayer's base employment within
19 Illinois has increased by 1% or more over the preceding
20 year as determined by the taxpayer's employment records
21 filed with the Illinois Department of Employment Security.
22 Taxpayers who are new to Illinois shall be deemed to have
23 met the 1% growth in base employment for the first year in
24 which they file employment records with the Illinois
25 Department of Employment Security. The provisions added to
26 this Section by Public Act 85-1200 (and restored by Public

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

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

17 (2) The term "qualified property" means property
18 which:

19 (A) is tangible, whether new or used, including
20 buildings and structural components of buildings and
21 signs that are real property, but not including land or
22 improvements to real property that are not a structural
23 component of a building such as landscaping, sewer
24 lines, local access roads, fencing, parking lots, and
25 other appurtenances;

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

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

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

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

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

17 (3) For purposes of this subsection (e),
18 "manufacturing" means the material staging and production
19 of tangible personal property by procedures commonly
20 regarded as manufacturing, processing, fabrication, or
21 assembling which changes some existing material into new
22 shapes, new qualities, or new combinations. For purposes of
23 this subsection (e) the term "mining" shall have the same
24 meaning as the term "mining" in Section 613(c) of the
25 Internal Revenue Code. For purposes of this subsection (e),
26 the term "retailing" means the sale of tangible personal

1 property for use or consumption and not for resale, or
2 services rendered in conjunction with the sale of tangible
3 personal property for use or consumption and not for
4 resale. For purposes of this subsection (e), "tangible
5 personal property" has the same meaning as when that term
6 is used in the Retailers' Occupation Tax Act, and, for
7 taxable years ending after December 31, 2008, does not
8 include the generation, transmission, or distribution of
9 electricity.

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

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

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

20 (7) If during any taxable year, any property ceases to
21 be qualified property in the hands of the taxpayer within
22 48 months after being placed in service, or the situs of
23 any qualified property is moved outside Illinois within 48
24 months after being placed in service, the Personal Property
25 Tax Replacement Income Tax for such taxable year shall be
26 increased. Such increase shall be determined by (i)

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

10 (8) Unless the investment credit is extended by law,
11 the basis of qualified property shall not include costs
12 incurred after December 31, 2013, except for costs incurred
13 pursuant to a binding contract entered into on or before
14 December 31, 2013.

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

1 taxable year. The partnership shall make this election on
2 its Personal Property Tax Replacement Income Tax return for
3 that taxable year. The election to pass through the credits
4 shall be irrevocable.

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

19 (f) Investment credit; Enterprise Zone; River Edge
20 Redevelopment Zone.

21 (1) A taxpayer shall be allowed a credit against the
22 tax imposed by subsections (a) and (b) of this Section for
23 investment in qualified property which is placed in service
24 in an Enterprise Zone created pursuant to the Illinois
25 Enterprise Zone Act or, for property placed in service on
26 or after July 1, 2006, a River Edge Redevelopment Zone

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

1 accruing first in time shall be applied first.

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

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

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

10 (C) is acquired by purchase as defined in Section
11 179(d) of the Internal Revenue Code;

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

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

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

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

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

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

20 (7) There shall be allowed an additional credit equal
21 to 0.5% of the basis of qualified property placed in
22 service during the taxable year in a River Edge
23 Redevelopment Zone, provided such property is placed in
24 service on or after July 1, 2006, and the taxpayer's base
25 employment within Illinois has increased by 1% or more over
26 the preceding year as determined by the taxpayer's

1 employment records filed with the Illinois Department of
2 Employment Security. Taxpayers who are new to Illinois
3 shall be deemed to have met the 1% growth in base
4 employment for the first year in which they file employment
5 records with the Illinois Department of Employment
6 Security. If, in any year, the increase in base employment
7 within Illinois over the preceding year is less than 1%,
8 the additional credit shall be limited to that percentage
9 times a fraction, the numerator of which is 0.5% and the
10 denominator of which is 1%, but shall not exceed 0.5%.

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

13 (1) A taxpayer conducting a trade or business in an
14 enterprise zone or a High Impact Business designated by the
15 Department of Commerce and Economic Opportunity or for
16 taxable years ending on or after December 31, 2006, in a
17 River Edge Redevelopment Zone conducting a trade or
18 business in a federally designated Foreign Trade Zone or
19 Sub-Zone shall be allowed a credit against the tax imposed
20 by subsections (a) and (b) of this Section in the amount of
21 \$500 per eligible employee hired to work in the zone during
22 the taxable year.

23 (2) To qualify for the credit:

24 (A) the taxpayer must hire 5 or more eligible
25 employees to work in an enterprise zone, River Edge
26 Redevelopment Zone, or federally designated Foreign

1 Trade Zone or Sub-Zone during the taxable year;

2 (B) the taxpayer's total employment within the
3 enterprise zone, River Edge Redevelopment Zone, or
4 federally designated Foreign Trade Zone or Sub-Zone
5 must increase by 5 or more full-time employees beyond
6 the total employed in that zone at the end of the
7 previous tax year for which a jobs tax credit under
8 this Section was taken, or beyond the total employed by
9 the taxpayer as of December 31, 1985, whichever is
10 later; and

11 (C) the eligible employees must be employed 180
12 consecutive days in order to be deemed hired for
13 purposes of this subsection.

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

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

22 (B) Hired after the enterprise zone, River Edge
23 Redevelopment Zone, or federally designated Foreign
24 Trade Zone or Sub-Zone was designated or the trade or
25 business was located in that zone, whichever is later.

26 (C) Employed in the enterprise zone, River Edge

1 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
2 An employee is employed in an enterprise zone or
3 federally designated Foreign Trade Zone or Sub-Zone if
4 his services are rendered there or it is the base of
5 operations for the services performed.

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

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

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

26 (6) The credit shall be available for eligible

1 employees hired on or after January 1, 1986.

2 (h) Investment credit; High Impact Business.

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

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

16 Changes made in this subdivision (h) (1) by Public Act
17 88-670 restore changes made by Public Act 85-1182 and
18 reflect existing law.

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

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

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

26 (h);

1 (C) is acquired by purchase as defined in Section
2 179(d) of the Internal Revenue Code; and

3 (D) is not eligible for the Enterprise Zone
4 Investment Credit provided by subsection (f) of this
5 Section.

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

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

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

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

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

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

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

1 base income, and further multiplying the product by the tax
2 rate imposed by subsections (a) and (b) of this Section.

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

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

1 (j) Training expense credit. Beginning with tax years
2 ending on or after December 31, 1986 and prior to December 31,
3 2003, a taxpayer shall be allowed a credit against the tax
4 imposed by subsections (a) and (b) under this Section for all
5 amounts paid or accrued, on behalf of all persons employed by
6 the taxpayer in Illinois or Illinois residents employed outside
7 of Illinois by a taxpayer, for educational or vocational
8 training in semi-technical or technical fields or semi-skilled
9 or skilled fields, which were deducted from gross income in the
10 computation of taxable income. The credit against the tax
11 imposed by subsections (a) and (b) shall be 1.6% of such
12 training expenses. For partners, shareholders of subchapter S
13 corporations, and owners of limited liability companies, if the
14 liability company is treated as a partnership for purposes of
15 federal and State income taxation, there shall be allowed a
16 credit under this subsection (j) to be determined in accordance
17 with the determination of income and distributive share of
18 income under Sections 702 and 704 and subchapter S of the
19 Internal Revenue Code.

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

1 credit arising under this subsection shall be applied first. No
2 carryforward credit may be claimed in any tax year ending on or
3 after December 31, 2003.

4 (k) Research and development credit.

5 For tax years ending after July 1, 1990 and prior to
6 December 31, 2003, and beginning again for tax years ending on
7 or after December 31, 2004, and ending prior to January 1,
8 2011, a taxpayer shall be allowed a credit against the tax
9 imposed by subsections (a) and (b) of this Section for
10 increasing research activities in this State. The credit
11 allowed against the tax imposed by subsections (a) and (b)
12 shall be equal to 6 1/2% of the qualifying expenditures for
13 increasing research activities in this State. For partners,
14 shareholders of subchapter S corporations, and owners of
15 limited liability companies, if the liability company is
16 treated as a partnership for purposes of federal and State
17 income taxation, there shall be allowed a credit under this
18 subsection to be determined in accordance with the
19 determination of income and distributive share of income under
20 Sections 702 and 704 and subchapter S of the Internal Revenue
21 Code.

22 For purposes of this subsection, "qualifying expenditures"
23 means the qualifying expenditures as defined for the federal
24 credit for increasing research activities which would be
25 allowable under Section 41 of the Internal Revenue Code and
26 which are conducted in this State, "qualifying expenditures for

1 increasing research activities in this State" means the excess
2 of qualifying expenditures for the taxable year in which
3 incurred over qualifying expenditures for the base period,
4 "qualifying expenditures for the base period" means the average
5 of the qualifying expenditures for each year in the base
6 period, and "base period" means the 3 taxable years immediately
7 preceding the taxable year for which the determination is being
8 made.

9 Any credit in excess of the tax liability for the taxable
10 year may be carried forward. A taxpayer may elect to have the
11 unused credit shown on its final completed return carried over
12 as a credit against the tax liability for the following 5
13 taxable years or until it has been fully used, whichever occurs
14 first; provided that no credit earned in a tax year ending
15 prior to December 31, 2003 may be carried forward to any year
16 ending on or after December 31, 2003, and no credit may be
17 carried forward to any taxable year ending on or after January
18 1, 2011.

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

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

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

8 (1) Environmental Remediation Tax Credit.

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

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

1 accordance with the determination of income and
2 distributive share of income under Sections 702 and 704 and
3 subchapter S of the Internal Revenue Code.

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

1 taxpayer if the taxpayer or a related party would not be
2 eligible under the provisions of subsection (i).

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

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

18 For purposes of this subsection:

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

26 "Qualified education expense" means the amount incurred on

1 behalf of a qualifying pupil in excess of \$250 for tuition,
2 book fees, and lab fees at the school in which the pupil is
3 enrolled during the regular school year.

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

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

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

16 (i) For tax years ending on or after December 31, 2006,
17 a taxpayer shall be allowed a credit against the tax
18 imposed by subsections (a) and (b) of this Section for
19 certain amounts paid for unreimbursed eligible remediation
20 costs, as specified in this subsection. For purposes of
21 this Section, "unreimbursed eligible remediation costs"
22 means costs approved by the Illinois Environmental
23 Protection Agency ("Agency") under Section 58.14a of the
24 Environmental Protection Act that were paid in performing
25 environmental remediation at a site within a River Edge
26 Redevelopment Zone for which a No Further Remediation

1 Letter was issued by the Agency and recorded under Section
2 58.10 of the Environmental Protection Act. The credit must
3 be claimed for the taxable year in which Agency approval of
4 the eligible remediation costs is granted. The credit is
5 not available to any taxpayer if the taxpayer or any
6 related party caused or contributed to, in any material
7 respect, a release of regulated substances on, in, or under
8 the site that was identified and addressed by the remedial
9 action pursuant to the Site Remediation Program of the
10 Environmental Protection Act. Determinations as to credit
11 availability for purposes of this Section shall be made
12 consistent with rules adopted by the Pollution Control
13 Board pursuant to the Illinois Administrative Procedure
14 Act for the administration and enforcement of Section 58.9
15 of the Environmental Protection Act. For purposes of this
16 Section, "taxpayer" includes a person whose tax attributes
17 the taxpayer has succeeded to under Section 381 of the
18 Internal Revenue Code and "related party" includes the
19 persons disallowed a deduction for losses by paragraphs
20 (b), (c), and (f)(1) of Section 267 of the Internal Revenue
21 Code by virtue of being a related taxpayer, as well as any
22 of its partners. The credit allowed against the tax imposed
23 by subsections (a) and (b) shall be equal to 25% of the
24 unreimbursed eligible remediation costs in excess of
25 \$100,000 per site.

26 (ii) A credit allowed under this subsection that is

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

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

25 (iv) This subsection is exempt from the provisions of
26 Section 250.

1 (Source: P.A. 95-454, eff. 8-27-07; 96-115, eff. 7-31-09;
2 96-116, eff. 7-31-09; 96-937, eff. 6-23-10; 96-1000, eff.
3 7-2-10.)

4 (35 ILCS 5/201.5 new)

5 Sec. 201.5. State spending limitation and tax reduction.

6 (a) If, beginning in State fiscal year 2012 and continuing
7 through State fiscal year 2015, State spending for any fiscal
8 year exceeds the State spending limitation set forth in
9 subsection (b) of this Section, then the tax rates set forth in
10 subsection (b) of Section 201 of this Act shall be reduced,
11 according to the procedures set forth in this Section, to 3% of
12 the taxpayer's net income for individuals, trusts, and estates
13 and to 4.8% of the taxpayer's net income for corporations. For
14 all taxable years following the taxable year in which the rate
15 has been reduced pursuant to this Section, the tax rate set
16 forth in subsection (b) of Section 201 of this Act shall be 3%
17 of the taxpayer's net income for individuals, trusts, and
18 estates and 4.8% of the taxpayer's net income for corporations.

19 (b) The State spending limitation for fiscal years 2012
20 through 2015 shall be as follows: (i) for fiscal year 2012,
21 \$36,818,000,000; (ii) for fiscal year 2013, \$37,554,000,000;
22 (iii) for fiscal year 2014, \$38,305,000,000; and (iv) for
23 fiscal year 2015, \$39,072,000,000.

24 (c) Notwithstanding any other provision of law to the
25 contrary, the Auditor General shall examine each Public Act

1 authorizing State spending from State general funds and prepare
2 a report no later than 30 days after receiving notification of
3 the Public Act from the Secretary of State or 60 days after the
4 effective date of the Public Act, whichever is earlier. The
5 Auditor General shall file the report with the Secretary of
6 State and copies with the Governor, the State Treasurer, the
7 State Comptroller, the Senate, and the House of
8 Representatives. The report shall indicate: (i) the amount of
9 State spending set forth in the applicable Public Act; (ii) the
10 total amount of State spending authorized by law for the
11 applicable fiscal year as of the date of the report; and (iii)
12 whether State spending exceeds the State spending limitation
13 set forth in subsection (b). The Auditor General may examine
14 multiple Public Acts in one consolidated report, provided that
15 each Public Act is examined within the time period mandated by
16 this subsection (c). The Auditor General shall issue reports in
17 accordance with this Section through June 30, 2015 or the
18 effective date of a reduction in the rate of tax imposed by
19 subsections (a) and (b) of Section 201 of this Act pursuant to
20 this Section, whichever is earlier.

21 At the request of the Auditor General, each State agency
22 shall, without delay, make available to the Auditor General or
23 his or her designated representative any record or information
24 requested and shall provide for examination or copying all
25 records, accounts, papers, reports, vouchers, correspondence,
26 books and other documentation in the custody of that agency,

1 including information stored in electronic data processing
2 systems, which is related to or within the scope of a report
3 prepared under this Section. The Auditor General shall report
4 to the Governor each instance in which a State agency fails to
5 cooperate promptly and fully with his or her office as required
6 by this Section.

7 The Auditor General's report shall not be in the nature of
8 a post-audit or examination and shall not lead to the issuance
9 of an opinion as that term is defined in generally accepted
10 government auditing standards.

11 (d) If the Auditor General reports that State spending has
12 exceeded the State spending limitation set forth in subsection
13 (b) and if the Governor has not been presented with a bill or
14 bills passed by the General Assembly to reduce State spending
15 to a level that does not exceed the State spending limitation
16 within 45 calendar days of receipt of the Auditor General's
17 report, then the Governor may, for the purpose of reducing
18 State spending to a level that does not exceed the State
19 spending limitation set forth in subsection (b), designate
20 amounts to be set aside as a reserve from the amounts
21 appropriated from the State general funds for all boards,
22 commissions, agencies, institutions, authorities, colleges,
23 universities, and bodies politic and corporate of the State,
24 but not other constitutional officers, the legislative or
25 judicial branch, the office of the Executive Inspector General,
26 or the Executive Ethics Commission. Such a designation must be

1 made within 15 calendar days after the end of that 45-day
2 period. If the Governor designates amounts to be set aside as a
3 reserve, the Governor shall give notice of the designation to
4 the Auditor General, the State Treasurer, the State
5 Comptroller, the Senate, and the House of Representatives. The
6 amounts placed in reserves shall not be transferred, obligated,
7 encumbered, expended, or otherwise committed unless so
8 authorized by law. Any amount placed in reserves is not State
9 spending and shall not be considered when calculating the total
10 amount of State spending. Any Public Act authorizing the use of
11 amounts placed in reserve by the Governor is considered State
12 spending, unless such Public Act authorizes the use of amounts
13 placed in reserves in response to a fiscal emergency under
14 subsection (g).

15 (e) If the Auditor General reports under subsection (c)
16 that State spending has exceeded the State spending limitation
17 set forth in subsection (b), then the Auditor General shall
18 issue a supplemental report no sooner than the 61st day and no
19 later than the 65th day after issuing the report pursuant to
20 subsection (c). The supplemental report shall: (i) summarize
21 details of actions taken by the General Assembly and the
22 Governor after the issuance of the initial report to reduce
23 State spending, if any, (ii) indicate whether the level of
24 State spending has changed since the initial report, and (iii)
25 indicate whether State spending exceeds the State spending
26 limitation. The Auditor General shall file the report with the

1 Secretary of State and copies with the Governor, the State
2 Treasurer, the State Comptroller, the Senate, and the House of
3 Representatives. If the supplemental report of the Auditor
4 General provides that State spending exceeds the State spending
5 limitation, then the rate of tax imposed by subsections (a) and
6 (b) of Section 201 is reduced as provided in this Section
7 beginning on the first day of the first month to occur not less
8 than 30 days after issuance of the supplemental report.

9 (f) For any taxable year in which the rates of tax have
10 been reduced under this Section, the tax imposed by subsections
11 (a) and (b) of Section 201 shall be determined as follows:

12 (1) In the case of an individual, trust, or estate, the
13 tax shall be imposed in an amount equal to the sum of (i)
14 the rate applicable to the taxpayer under subsection (b) of
15 Section 201 (without regard to the provisions of this
16 Section) times the taxpayer's net income for any portion of
17 the taxable year prior to the effective date of the
18 reduction and (ii) 3% of the taxpayer's net income for any
19 portion of the taxable year on or after the effective date
20 of the reduction.

21 (2) In the case of a corporation, the tax shall be
22 imposed in an amount equal to the sum of (i) the rate
23 applicable to the taxpayer under subsection (b) of Section
24 201 (without regard to the provisions of this Section)
25 times the taxpayer's net income for any portion of the
26 taxable year prior to the effective date of the reduction

1 and (ii) 4.8% of the taxpayer's net income for any portion
2 of the taxable year on or after the effective date of the
3 reduction.

4 (3) For any taxpayer for whom the rate has been reduced
5 under this Section for a portion of a taxable year, the
6 taxpayer shall determine the net income for each portion of
7 the taxable year following the rules set forth in Section
8 202.5 of this Act, using the effective date of the rate
9 reduction rather than the January 1 dates found in that
10 Section, and the day before the effective date of the rate
11 reduction rather than the December 31 dates found in that
12 Section.

13 (4) If the rate applicable to the taxpayer under
14 subsection (b) of Section 201 (without regard to the
15 provisions of this Section) changes during a portion of the
16 taxable year to which that rate is applied under paragraphs
17 (1) or (2) of this subsection (f), the tax for that portion
18 of the taxable year for purposes of paragraph (1) or (2) of
19 this subsection (f) shall be determined as if that portion
20 of the taxable year were a separate taxable year, following
21 the rules set forth in Section 202.5 of this Act. If the
22 taxpayer elects to follow the rules set forth in subsection
23 (b) of Section 202.5, the taxpayer shall follow the rules
24 set forth in subsection (b) of Section 202.5 for all
25 purposes of this Section for that taxable year.

26 (g) Notwithstanding the State spending limitation set

1 forth in subsection (b) of this Section, the Governor may
2 declare a fiscal emergency by filing a declaration with the
3 Secretary of State and copies with the State Treasurer, the
4 State Comptroller, the Senate, and the House of
5 Representatives. The declaration must be limited to only one
6 State fiscal year, set forth compelling reasons for declaring a
7 fiscal emergency, and request a specific dollar amount. Unless,
8 within 10 calendar days of receipt of the Governor's
9 declaration, the State Comptroller or State Treasurer notifies
10 the Senate and the House of Representatives that he or she does
11 not concur in the Governor's declaration, State spending
12 authorized by law to address the fiscal emergency in an amount
13 no greater than the dollar amount specified in the declaration
14 shall not be considered "State spending" for purposes of the
15 State spending limitation.

16 (h) As used in this Section:

17 "State general funds" means the General Revenue Fund, the
18 Common School Fund, the General Revenue Common School Special
19 Account Fund, the Education Assistance Fund, and the Budget
20 Stabilization Fund.

21 "State spending" means (i) the total amount authorized for
22 spending by appropriation or statutory transfer from the State
23 general funds in the applicable fiscal year, and (ii) any
24 amounts the Governor places in reserves in accordance with
25 subsection (d) that are subsequently released from reserves
26 following authorization by a Public Act. For the purpose of

1 this definition, "appropriation" means authority to spend
2 money from a State general fund for a specific amount, purpose,
3 and time period, including any supplemental appropriation or
4 continuing appropriation, but does not include
5 reappropriations from a previous fiscal year. For the purpose
6 of this definition, "statutory transfer" means authority to
7 transfer funds from one State general fund to any other fund in
8 the State treasury, but does not include transfers made from
9 one State general fund to another State general fund.

10 "State spending limitation" means the amount described in
11 subsection (b) of this Section for the applicable fiscal year.

12 (35 ILCS 5/202.5 new)

13 Sec. 202.5. Net income attributable to the period beginning
14 prior to January 1 of any year and ending after December 31 of
15 the preceding year.

16 (a) In general. With respect to the taxable year of a
17 taxpayer beginning prior to January 1 of any year and ending
18 after December 31 of the preceding year, net income for the
19 period after December 31 of the preceding year, is that amount
20 that bears the same ratio to the taxpayer's net income for the
21 entire taxable year as the number of days in that taxable year
22 after December 31 bears to the total number of days in that
23 taxable year, and the net income for the period prior to
24 January 1 is that amount that bears the same ratio to the
25 taxpayer's net income for the entire taxable year as the number

1 of days in that taxable year prior to January 1 bears to the
2 total number of days in that taxable year.

3 (b) Election to attribute income and deduction items
4 specifically to the respective portions of a taxable year prior
5 to January 1 of any year and after December 31 of the preceding
6 year. In the case of a taxpayer with a taxable year beginning
7 prior to January 1 of any year and ending after December 31 of
8 the preceding year, the taxpayer may elect, instead of the
9 procedure established in subsection (a) of this Section, to
10 determine net income on a specific accounting basis for the 2
11 portions of the taxable year:

12 (1) from the beginning of the taxable year through
13 December 31; and

14 (2) from January 1 through the end of the taxable year.

15 The election provided by this subsection must be made in
16 form and manner that the Department requires by rule, and must
17 be made no later than the due date (including any extensions
18 thereof) for the filing of the return for the taxable year, and
19 is irrevocable.

20 (c) If the taxpayer elects specific accounting under
21 subsection (b):

22 (1) there shall be taken into account in computing base
23 income for each of the 2 portions of the taxable year only
24 those items earned, received, paid, incurred or accrued in
25 each such period;

26 (2) for purposes of apportioning business income of the

1 taxpayer, the provisions in Article 3 shall be applied on
2 the basis of the taxpayer's full taxable year, without
3 regard to this Section;

4 (3) the net loss carryforward deduction for the taxable
5 year under Section 207 may not exceed combined net income
6 of both portions of the taxable year, and shall be used
7 against the net income of the portion of the taxable year
8 from the beginning of the taxable year through December 31
9 before any remaining amount is used against the net income
10 of the latter portion of the taxable year.

11 (35 ILCS 5/207) (from Ch. 120, par. 2-207)

12 Sec. 207. Net Losses.

13 (a) If after applying all of the (i) modifications provided
14 for in paragraph (2) of Section 203(b), paragraph (2) of
15 Section 203(c) and paragraph (2) of Section 203(d) and (ii) the
16 allocation and apportionment provisions of Article 3 of this
17 Act and subsection (c) of this Section, the taxpayer's net
18 income results in a loss;

19 (1) for any taxable year ending prior to December 31,
20 1999, such loss shall be allowed as a carryover or
21 carryback deduction in the manner allowed under Section 172
22 of the Internal Revenue Code;

23 (2) for any taxable year ending on or after December
24 31, 1999 and prior to December 31, 2003, such loss shall be
25 allowed as a carryback to each of the 2 taxable years

1 preceding the taxable year of such loss and shall be a net
2 operating loss carryover to each of the 20 taxable years
3 following the taxable year of such loss; and

4 (3) for any taxable year ending on or after December
5 31, 2003, such loss shall be allowed as a net operating
6 loss carryover to each of the 12 taxable years following
7 the taxable year of such loss, except as provided in
8 subsection (d).

9 (a-5) Election to relinquish carryback and order of
10 application of losses.

11 (A) For losses incurred in tax years ending prior
12 to December 31, 2003, the taxpayer may elect to
13 relinquish the entire carryback period with respect to
14 such loss. Such election shall be made in the form and
15 manner prescribed by the Department and shall be made
16 by the due date (including extensions of time) for
17 filing the taxpayer's return for the taxable year in
18 which such loss is incurred, and such election, once
19 made, shall be irrevocable.

20 (B) The entire amount of such loss shall be carried
21 to the earliest taxable year to which such loss may be
22 carried. The amount of such loss which shall be carried
23 to each of the other taxable years shall be the excess,
24 if any, of the amount of such loss over the sum of the
25 deductions for carryback or carryover of such loss
26 allowable for each of the prior taxable years to which

1 such loss may be carried.

2 (b) Any loss determined under subsection (a) of this
3 Section must be carried back or carried forward in the same
4 manner for purposes of subsections (a) and (b) of Section 201
5 of this Act as for purposes of subsections (c) and (d) of
6 Section 201 of this Act.

7 (c) Notwithstanding any other provision of this Act, for
8 each taxable year ending on or after December 31, 2008, for
9 purposes of computing the loss for the taxable year under
10 subsection (a) of this Section and the deduction taken into
11 account for the taxable year for a net operating loss carryover
12 under paragraphs (1), (2), and (3) of subsection (a) of this
13 Section, the loss and net operating loss carryover shall be
14 reduced in an amount equal to the reduction to the net
15 operating loss and net operating loss carryover to the taxable
16 year, respectively, required under Section 108(b)(2)(A) of the
17 Internal Revenue Code, multiplied by a fraction, the numerator
18 of which is the amount of discharge of indebtedness income that
19 is excluded from gross income for the taxable year (but only if
20 the taxable year ends on or after December 31, 2008) under
21 Section 108(a) of the Internal Revenue Code and that would have
22 been allocated and apportioned to this State under Article 3 of
23 this Act but for that exclusion, and the denominator of which
24 is the total amount of discharge of indebtedness income
25 excluded from gross income under Section 108(a) of the Internal
26 Revenue Code for the taxable year. The reduction required under

1 this subsection (c) shall be made after the determination of
2 Illinois net income for the taxable year in which the
3 indebtedness is discharged.

4 (d) In the case of a corporation (other than a Subchapter S
5 corporation), no carryover deduction shall be allowed under
6 this Section for any taxable year ending after December 31,
7 2010 and prior to December 31, 2014; provided that, for
8 purposes of determining the taxable years to which a net loss
9 may be carried under subsection (a) of this Section, no taxable
10 year for which a deduction is disallowed under this subsection
11 shall be counted.

12 (Source: P.A. 95-233, eff. 8-16-07.)

13 (35 ILCS 5/804) (from Ch. 120, par. 8-804)

14 Sec. 804. Failure to Pay Estimated Tax.

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

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

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

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

3 (c) Amount of Required Installments.

4 (1) Amount.

5 (A) In General. Except as provided in paragraph
6 (2), the amount of any required installment shall be
7 25% of the required annual payment.

8 (B) Required Annual Payment. For purposes of
9 subparagraph (A), the term "required annual payment"
10 means the lesser of

11 (i) 90% of the tax shown on the return for the
12 taxable year, or if no return is filed, 90% of the
13 tax for such year, ~~or~~

14 (ii) for installments due prior to February 1,
15 2011, and after January 31, 2012, 100% of the tax
16 shown on the return of the taxpayer for the
17 preceding taxable year if a return showing a
18 liability for tax was filed by the taxpayer for the
19 preceding taxable year and such preceding year was
20 a taxable year of 12 months; or ~~or~~

21 (iii) for installments due after January 31,
22 2011, and prior to February 1, 2012, 150% of the
23 tax shown on the return of the taxpayer for the
24 preceding taxable year if a return showing a
25 liability for tax was filed by the taxpayer for the
26 preceding taxable year and such preceding year was

1 a taxable year of 12 months.

2 (2) Lower Required Installment where Annualized Income
3 Installment is Less Than Amount Determined Under Paragraph
4 (1).

5 (A) In General. In the case of any required
6 installment if a taxpayer establishes that the
7 annualized income installment is less than the amount
8 determined under paragraph (1),

9 (i) the amount of such required installment
10 shall be the annualized income installment, and

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

19 (B) Determination of Annualized Income
20 Installment. In the case of any required installment,
21 the annualized income installment is the excess, if
22 any, of

23 (i) an amount equal to the applicable
24 percentage of the tax for the taxable year computed
25 by placing on an annualized basis the net income
26 for months in the taxable year ending before the

1 due date for the installment, over
 2 (ii) the aggregate amount of any prior
 3 required installments for the taxable year.

4 (C) Applicable Percentage.

5 In the case of the following	The applicable
6 required installments:	percentage is:
7 1st.....	22.5%
8 2nd.....	45%
9 3rd.....	67.5%
10 4th.....	90%

11 (D) Annualized Net Income; Individuals. For
 12 individuals, net income shall be placed on an
 13 annualized basis by:

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

21 (ii) dividing the resulting amount by the
 22 number of months in the taxable year ending before
 23 the month in which such installment date falls; and

24 (iii) deducting from such amount the standard
 25 exemption allowable for the taxable year, such
 26 standard exemption being determined as of the last

1 date prescribed for payment of the installment.

2 (E) Annualized Net Income; Corporations. For
3 corporations, net income shall be placed on an
4 annualized basis by multiplying by 12 the taxable
5 income

6 (i) for the first 3 months of the taxable year,
7 in the case of the installment required to be paid
8 in the 4th month,

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

12 (iii) for the first 6 months or for the first 8
13 months of the taxable year, in the case of the
14 installment required to be paid in the 9th month,
15 and

16 (iv) for the first 9 months or for the first 11
17 months of the taxable year, in the case of the
18 installment required to be paid in the 12th month
19 of the taxable year,

20 then dividing the resulting amount by the number of
21 months in the taxable year (3, 5, 6, 8, 9, or 11 as the
22 case may be).

23 (d) Exceptions. Notwithstanding the provisions of the
24 preceding subsections, the penalty imposed by subsection (a)
25 shall not be imposed if the taxpayer was not required to file
26 an Illinois income tax return for the preceding taxable year,

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

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

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

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

21 (1) in the case of an individual, tax withheld from
22 compensation for the taxable year shall be deemed a payment
23 of estimated tax, and an equal part of such amount shall be
24 deemed paid on each installment date for such taxable year,
25 unless the taxpayer establishes the dates on which all
26 amounts were actually withheld, in which case the amounts

1 so withheld shall be deemed payments of estimated tax on
2 the dates on which such amounts were actually withheld;

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

11 (3) all other amounts pursuant to Article 7 shall be
12 deemed a payment of estimated tax on the date the payment
13 is made to the taxpayer of the amount from which the tax is
14 withheld.

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

21 (i) Short taxable year. The application of this Section to
22 taxable years of less than 12 months shall be in accordance
23 with regulations prescribed by the Department.

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

26 (Source: P.A. 95-233, eff. 8-16-07.)

1 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

2 Sec. 901. Collection Authority.

3 (a) In general.

4 The Department shall collect the taxes imposed by this Act.
5 The Department shall collect certified past due child support
6 amounts under Section 2505-650 of the Department of Revenue Law
7 (20 ILCS 2505/2505-650). Except as provided in subsections (c),
8 ~~and~~ (e), (f), and (g) of this Section, money collected pursuant
9 to subsections (a) and (b) of Section 201 of this Act shall be
10 paid into the General Revenue Fund in the State treasury; money
11 collected pursuant to subsections (c) and (d) of Section 201 of
12 this Act shall be paid into the Personal Property Tax
13 Replacement Fund, a special fund in the State Treasury; and
14 money collected under Section 2505-650 of the Department of
15 Revenue Law (20 ILCS 2505/2505-650) shall be paid into the
16 Child Support Enforcement Trust Fund, a special fund outside
17 the State Treasury, or to the State Disbursement Unit
18 established under Section 10-26 of the Illinois Public Aid
19 Code, as directed by the Department of Healthcare and Family
20 Services.

21 (b) Local Government Distributive Fund.

22 Beginning August 1, 1969, and continuing through June 30,
23 1994, the Treasurer shall transfer each month from the General
24 Revenue Fund to a special fund in the State treasury, to be
25 known as the "Local Government Distributive Fund", an amount

1 equal to 1/12 of the net revenue realized from the tax imposed
2 by subsections (a) and (b) of Section 201 of this Act during
3 the preceding month. Beginning July 1, 1994, and continuing
4 through June 30, 1995, the Treasurer shall transfer each month
5 from the General Revenue Fund to the Local Government
6 Distributive Fund an amount equal to 1/11 of the net revenue
7 realized from the tax imposed by subsections (a) and (b) of
8 Section 201 of this Act during the preceding month. Beginning
9 July 1, 1995 and continuing through January 31, 2011, the
10 Treasurer shall transfer each month from the General Revenue
11 Fund to the Local Government Distributive Fund an amount equal
12 to the net of (i) 1/10 of the net revenue realized from the tax
13 imposed by subsections (a) and (b) of Section 201 of the
14 Illinois Income Tax Act during the preceding month (ii) minus,
15 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,
16 and beginning July 1, 2004, zero. Beginning February 1, 2011,
17 and continuing through January 31, 2015, the Treasurer shall
18 transfer each month from the General Revenue Fund to the Local
19 Government Distributive Fund an amount equal to the sum of (i)
20 6% (10% of the ratio of the 3% individual income tax rate prior
21 to 2011 to the 5% individual income tax rate after 2010) of the
22 net revenue realized from the tax imposed by subsections (a)
23 and (b) of Section 201 of this Act upon individuals, trusts,
24 and estates during the preceding month and (ii) 6.86% (10% of
25 the ratio of the 4.8% corporate income tax rate prior to 2011
26 to the 7% corporate income tax rate after 2010) of the net

1 revenue realized from the tax imposed by subsections (a) and
2 (b) of Section 201 of this Act upon corporations during the
3 preceding month. Beginning February 1, 2015 and continuing
4 through January 31, 2025, the Treasurer shall transfer each
5 month from the General Revenue Fund to the Local Government
6 Distributive Fund an amount equal to the sum of (i) 8% (10% of
7 the ratio of the 3% individual income tax rate prior to 2011 to
8 the 3.75% individual income tax rate after 2014) of the net
9 revenue realized from the tax imposed by subsections (a) and
10 (b) of Section 201 of this Act upon individuals, trusts, and
11 estates during the preceding month and (ii) 9.14% (10% of the
12 ratio of the 4.8% corporate income tax rate prior to 2011 to
13 the 5.25% corporate income tax rate after 2014) of the net
14 revenue realized from the tax imposed by subsections (a) and
15 (b) of Section 201 of this Act upon corporations during the
16 preceding month. Beginning February 1, 2025, the Treasurer
17 shall transfer each month from the General Revenue Fund to the
18 Local Government Distributive Fund an amount equal to the sum
19 of (i) 9.23% (10% of the ratio of the 3% individual income tax
20 rate prior to 2011 to the 3.25% individual income tax rate
21 after 2024) of the net revenue realized from the tax imposed by
22 subsections (a) and (b) of Section 201 of this Act upon
23 individuals, trusts, and estates during the preceding month and
24 (ii) 10% of the net revenue realized from the tax imposed by
25 subsections (a) and (b) of Section 201 of this Act upon
26 corporations during the preceding month. Net revenue realized

1 for a month shall be defined as the revenue from the tax
2 imposed by subsections (a) and (b) of Section 201 of this Act
3 which is deposited in the General Revenue Fund, the Education
4 ~~Education~~ Assistance Fund, ~~and~~ the Income Tax Surcharge Local
5 Government Distributive Fund, the Fund for the Advancement of
6 Education, and the Commitment to Human Services Fund during the
7 month minus the amount paid out of the General Revenue Fund in
8 State warrants during that same month as refunds to taxpayers
9 for overpayment of liability under the tax imposed by
10 subsections (a) and (b) of Section 201 of this Act.

11 (c) Deposits Into Income Tax Refund Fund.

12 (1) Beginning on January 1, 1989 and thereafter, the
13 Department shall deposit a percentage of the amounts
14 collected pursuant to subsections (a) and (b) (1), (2), and
15 (3), of Section 201 of this Act into a fund in the State
16 treasury known as the Income Tax Refund Fund. The
17 Department shall deposit 6% of such amounts during the
18 period beginning January 1, 1989 and ending on June 30,
19 1989. Beginning with State fiscal year 1990 and for each
20 fiscal year thereafter, the percentage deposited into the
21 Income Tax Refund Fund during a fiscal year shall be the
22 Annual Percentage. For fiscal years 1999 through 2001, the
23 Annual Percentage shall be 7.1%. For fiscal year 2003, the
24 Annual Percentage shall be 8%. For fiscal year 2004, the
25 Annual Percentage shall be 11.7%. Upon the effective date
26 of this amendatory Act of the 93rd General Assembly, the

1 Annual Percentage shall be 10% for fiscal year 2005. For
2 fiscal year 2006, the Annual Percentage shall be 9.75%. For
3 fiscal year 2007, the Annual Percentage shall be 9.75%. For
4 fiscal year 2008, the Annual Percentage shall be 7.75%. For
5 fiscal year 2009, the Annual Percentage shall be 9.75%. For
6 fiscal year 2010, the Annual Percentage shall be 9.75%. For
7 fiscal year 2011, the Annual Percentage shall be 8.75%. For
8 all other fiscal years, the Annual Percentage shall be
9 calculated as a fraction, the numerator of which shall be
10 the amount of refunds approved for payment by the
11 Department during the preceding fiscal year as a result of
12 overpayment of tax liability under subsections (a) and
13 (b) (1), (2), and (3) of Section 201 of this Act plus the
14 amount of such refunds remaining approved but unpaid at the
15 end of the preceding fiscal year, minus the amounts
16 transferred into the Income Tax Refund Fund from the
17 Tobacco Settlement Recovery Fund, and the denominator of
18 which shall be the amounts which will be collected pursuant
19 to subsections (a) and (b) (1), (2), and (3) of Section 201
20 of this Act during the preceding fiscal year; except that
21 in State fiscal year 2002, the Annual Percentage shall in
22 no event exceed 7.6%. The Director of Revenue shall certify
23 the Annual Percentage to the Comptroller on the last
24 business day of the fiscal year immediately preceding the
25 fiscal year for which it is to be effective.

26 (2) Beginning on January 1, 1989 and thereafter, the

1 Department shall deposit a percentage of the amounts
2 collected pursuant to subsections (a) and (b) (6), (7), and
3 (8), (c) and (d) of Section 201 of this Act into a fund in
4 the State treasury known as the Income Tax Refund Fund. The
5 Department shall deposit 18% of such amounts during the
6 period beginning January 1, 1989 and ending on June 30,
7 1989. Beginning with State fiscal year 1990 and for each
8 fiscal year thereafter, the percentage deposited into the
9 Income Tax Refund Fund during a fiscal year shall be the
10 Annual Percentage. For fiscal years 1999, 2000, and 2001,
11 the Annual Percentage shall be 19%. For fiscal year 2003,
12 the Annual Percentage shall be 27%. For fiscal year 2004,
13 the Annual Percentage shall be 32%. Upon the effective date
14 of this amendatory Act of the 93rd General Assembly, the
15 Annual Percentage shall be 24% for fiscal year 2005. For
16 fiscal year 2006, the Annual Percentage shall be 20%. For
17 fiscal year 2007, the Annual Percentage shall be 17.5%. For
18 fiscal year 2008, the Annual Percentage shall be 15.5%. For
19 fiscal year 2009, the Annual Percentage shall be 17.5%. For
20 fiscal year 2010, the Annual Percentage shall be 17.5%. For
21 fiscal year 2011, the Annual Percentage shall be 17.5%. For
22 all other fiscal years, the Annual Percentage shall be
23 calculated as a fraction, the numerator of which shall be
24 the amount of refunds approved for payment by the
25 Department during the preceding fiscal year as a result of
26 overpayment of tax liability under subsections (a) and

1 (b) (6), (7), and (8), (c) and (d) of Section 201 of this
2 Act plus the amount of such refunds remaining approved but
3 unpaid at the end of the preceding fiscal year, and the
4 denominator of which shall be the amounts which will be
5 collected pursuant to subsections (a) and (b) (6), (7), and
6 (8), (c) and (d) of Section 201 of this Act during the
7 preceding fiscal year; except that in State fiscal year
8 2002, the Annual Percentage shall in no event exceed 23%.
9 The Director of Revenue shall certify the Annual Percentage
10 to the Comptroller on the last business day of the fiscal
11 year immediately preceding the fiscal year for which it is
12 to be effective.

13 (3) The Comptroller shall order transferred and the
14 Treasurer shall transfer from the Tobacco Settlement
15 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000
16 in January, 2001, (ii) \$35,000,000 in January, 2002, and
17 (iii) \$35,000,000 in January, 2003.

18 (d) Expenditures from Income Tax Refund Fund.

19 (1) Beginning January 1, 1989, money in the Income Tax
20 Refund Fund shall be expended exclusively for the purpose
21 of paying refunds resulting from overpayment of tax
22 liability under Section 201 of this Act, for paying rebates
23 under Section 208.1 in the event that the amounts in the
24 Homeowners' Tax Relief Fund are insufficient for that
25 purpose, and for making transfers pursuant to this
26 subsection (d).

1 (2) The Director shall order payment of refunds
2 resulting from overpayment of tax liability under Section
3 201 of this Act from the Income Tax Refund Fund only to the
4 extent that amounts collected pursuant to Section 201 of
5 this Act and transfers pursuant to this subsection (d) and
6 item (3) of subsection (c) have been deposited and retained
7 in the Fund.

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

20 (4) As soon as possible after the end of each fiscal
21 year, the Director shall order transferred and the State
22 Treasurer and State Comptroller shall transfer from the
23 Personal Property Tax Replacement Fund to the Income Tax
24 Refund Fund an amount, certified by the Director to the
25 Comptroller, equal to the excess of the amount of refunds
26 resulting from overpayment of tax liability under

1 subsections (c) and (d) of Section 201 of this Act paid
2 from the Income Tax Refund Fund during the fiscal year over
3 the amount collected pursuant to subsections (c) and (d) of
4 Section 201 of this Act deposited into the Income Tax
5 Refund Fund during the fiscal year.

6 (4.5) As soon as possible after the end of fiscal year
7 1999 and of each fiscal year thereafter, the Director shall
8 order transferred and the State Treasurer and State
9 Comptroller shall transfer from the Income Tax Refund Fund
10 to the General Revenue Fund any surplus remaining in the
11 Income Tax Refund Fund as of the end of such fiscal year;
12 excluding for fiscal years 2000, 2001, and 2002 amounts
13 attributable to transfers under item (3) of subsection (c)
14 less refunds resulting from the earned income tax credit.

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

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

21 On July 1, 1991, and thereafter, of the amounts collected
22 pursuant to subsections (a) and (b) of Section 201 of this Act,
23 minus deposits into the Income Tax Refund Fund, the Department
24 shall deposit 7.3% into the Education Assistance Fund in the
25 State Treasury. Beginning July 1, 1991, and continuing through
26 January 31, 1993, of the amounts collected pursuant to

1 subsections (a) and (b) of Section 201 of the Illinois Income
2 Tax Act, minus deposits into the Income Tax Refund Fund, the
3 Department shall deposit 3.0% into the Income Tax Surcharge
4 Local Government Distributive Fund in the State Treasury.
5 Beginning February 1, 1993 and continuing through June 30,
6 1993, of the amounts collected pursuant to subsections (a) and
7 (b) of Section 201 of the Illinois Income Tax Act, minus
8 deposits into the Income Tax Refund Fund, the Department shall
9 deposit 4.4% into the Income Tax Surcharge Local Government
10 Distributive Fund in the State Treasury. Beginning July 1,
11 1993, and continuing through June 30, 1994, of the amounts
12 collected under subsections (a) and (b) of Section 201 of this
13 Act, minus deposits into the Income Tax Refund Fund, the
14 Department shall deposit 1.475% into the Income Tax Surcharge
15 Local Government Distributive Fund in the State Treasury.

16 (f) Deposits into the Fund for the Advancement of
17 Education. Beginning February 1, 2015, the Department shall
18 deposit the following portions of the revenue realized from the
19 tax imposed upon individuals, trusts, and estates by
20 subsections (a) and (b) of Section 201 of this Act during the
21 preceding month, minus deposits into the Income Tax Refund
22 Fund, into the Fund for the Advancement of Education:

23 (1) beginning February 1, 2015, and prior to February
24 1, 2025, 1/30; and

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

26 If the rate of tax imposed by subsection (a) and (b) of

1 Section 201 is reduced pursuant to Section 201.5 of this Act,
2 the Department shall not make the deposits required by this
3 subsection (f) on or after the effective date of the reduction.

4 (g) Deposits into the Commitment to Human Services Fund.
5 Beginning February 1, 2015, the Department shall deposit the
6 following portions of the revenue realized from the tax imposed
7 upon individuals, trusts, and estates by subsections (a) and
8 (b) of Section 201 of this Act during the preceding month,
9 minus deposits into the Income Tax Refund Fund, into the
10 Commitment to Human Services Fund:

11 (1) beginning February 1, 2015, and prior to February
12 1, 2025, 1/30; and

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

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

18 (Source: P.A. 95-707, eff. 1-11-08; 95-744, eff. 7-18-08;
19 96-45, eff. 7-15-09; 96-328, eff. 8-11-09; 96-959, eff.
20 7-1-10.)

21 Section 25. The Illinois Estate and Generation-Skipping
22 Transfer Tax Act is amended by changing Section 2 as follows:

23 (35 ILCS 405/2) (from Ch. 120, par. 405A-2)

24 Sec. 2. Definitions.

1 "Federal estate tax" means the tax due to the United States
2 with respect to a taxable transfer under Chapter 11 of the
3 Internal Revenue Code.

4 "Federal generation-skipping transfer tax" means the tax
5 due to the United States with respect to a taxable transfer
6 under Chapter 13 of the Internal Revenue Code.

7 "Federal return" means the federal estate tax return with
8 respect to the federal estate tax and means the federal
9 generation-skipping transfer tax return with respect to the
10 federal generation-skipping transfer tax.

11 "Federal transfer tax" means the federal estate tax or the
12 federal generation-skipping transfer tax.

13 "Illinois estate tax" means the tax due to this State with
14 respect to a taxable transfer.

15 "Illinois generation-skipping transfer tax" means the tax
16 due to this State with respect to a taxable transfer that gives
17 rise to a federal generation-skipping transfer tax.

18 "Illinois transfer tax" means the Illinois estate tax or
19 the Illinois generation-skipping transfer tax.

20 "Internal Revenue Code" means, unless otherwise provided,
21 the Internal Revenue Code of 1986, as amended from time to
22 time.

23 "Non-resident trust" means a trust that is not a resident
24 of this State for purposes of the Illinois Income Tax Act, as
25 amended from time to time.

26 "Person" means and includes any individual, trust, estate,

1 partnership, association, company or corporation.

2 "Qualified heir" means a qualified heir as defined in
3 Section 2032A(e) (1) of the Internal Revenue Code.

4 "Resident trust" means a trust that is a resident of this
5 State for purposes of the Illinois Income Tax Act, as amended
6 from time to time.

7 "State" means any state, territory or possession of the
8 United States and the District of Columbia.

9 "State tax credit" means:

10 (a) For persons dying on or after January 1, 2003 and
11 through December 31, 2005, an amount equal to the full credit
12 calculable under Section 2011 or Section 2604 of the Internal
13 Revenue Code as the credit would have been computed and allowed
14 under the Internal Revenue Code as in effect on December 31,
15 2001, without the reduction in the State Death Tax Credit as
16 provided in Section 2011(b) (2) or the termination of the State
17 Death Tax Credit as provided in Section 2011(f) as enacted by
18 the Economic Growth and Tax Relief Reconciliation Act of 2001,
19 but recognizing the increased applicable exclusion amount
20 through December 31, 2005.

21 (b) For persons dying after December 31, 2005 and on or
22 before December 31, 2009, and for persons dying after December
23 31, 2010, an amount equal to the full credit calculable under
24 Section 2011 or 2604 of the Internal Revenue Code as the credit
25 would have been computed and allowed under the Internal Revenue
26 Code as in effect on December 31, 2001, without the reduction

1 in the State Death Tax Credit as provided in Section 2011(b)(2)
2 or the termination of the State Death Tax Credit as provided in
3 Section 2011(f) as enacted by the Economic Growth and Tax
4 Relief Reconciliation Act of 2001, but recognizing the
5 exclusion amount of only \$2,000,000, and with reduction to the
6 adjusted taxable estate for any qualified terminable interest
7 property election as defined in subsection (b-1) of this
8 Section.

9 (b-1) The person required to file the Illinois return may
10 elect on a timely filed Illinois return a marital deduction for
11 qualified terminable interest property under Section
12 2056(b)(7) of the Internal Revenue Code for purposes of the
13 Illinois estate tax that is separate and independent of any
14 qualified terminable interest property election for federal
15 estate tax purposes. For purposes of the Illinois estate tax,
16 the inclusion of property in the gross estate of a surviving
17 spouse is the same as under Section 2044 of the Internal
18 Revenue Code.

19 In the case of any trust for which a State or federal
20 qualified terminable interest property election is made, the
21 trustee may not retain non-income producing assets for more
22 than a reasonable amount of time without the consent of the
23 surviving spouse.

24 ~~(e) For persons dying after December 31, 2009, the credit~~
25 ~~for state tax allowable under Section 2011 or Section 2604 of~~
26 ~~the Internal Revenue Code.~~

1 "Taxable transfer" means an event that gives rise to a
2 state tax credit, including any credit as a result of the
3 imposition of an additional tax under Section 2032A(c) of the
4 Internal Revenue Code.

5 "Transferee" means a transferee within the meaning of
6 Section 2603(a)(1) and Section 6901(h) of the Internal Revenue
7 Code.

8 "Transferred property" means:

9 (1) With respect to a taxable transfer occurring at the
10 death of an individual, the deceased individual's gross
11 estate as defined in Section 2031 of the Internal Revenue
12 Code.

13 (2) With respect to a taxable transfer occurring as a
14 result of a taxable termination as defined in Section
15 2612(a) of the Internal Revenue Code, the taxable amount
16 determined under Section 2622(a) of the Internal Revenue
17 Code.

18 (3) With respect to a taxable transfer occurring as a
19 result of a taxable distribution as defined in Section
20 2612(b) of the Internal Revenue Code, the taxable amount
21 determined under Section 2621(a) of the Internal Revenue
22 Code.

23 (4) With respect to an event which causes the
24 imposition of an additional estate tax under Section
25 2032A(c) of the Internal Revenue Code, the qualified real
26 property that was disposed of or which ceased to be used

1 for the qualified use, within the meaning of Section
2 2032A(c) (1) of the Internal Revenue Code.

3 "Trust" includes a trust as defined in Section 2652(b) (1)
4 of the Internal Revenue Code.

5 (Source: P.A. 96-789, eff. 9-8-09.)

6 Section 99. Effective date. This Act takes effect upon
7 becoming law.