

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

8 (3) In the case of an individual, trust or estate,
9 for taxable years beginning after June 30, 1989, an
10 amount equal to 3% of the taxpayer's net income for the
11 taxable year.

12 (4) (Blank).

13 (5) (Blank).

14 (6) In the case of a corporation, for taxable years
15 ending prior to July 1, 1989, an amount equal to 4% of
16 the 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,
21 1989, as calculated under Section 202.3, and (ii) 4.8% of
22 the taxpayer's net income for the period after June 30,
23 1989, as calculated under Section 202.3.

24 (8) In the case of a corporation, for taxable years
25 beginning after June 30, 1989, an amount equal to 4.8% of
26 the taxpayer's net income for the taxable year.

27 (c) Beginning on July 1, 1979 and thereafter, in
28 addition to such income tax, there is also hereby imposed the
29 Personal Property Tax Replacement Income Tax measured by net
30 income on every corporation (including Subchapter S
31 corporations), partnership and trust, for each taxable year
32 ending after June 30, 1979. Such taxes are imposed on the
33 privilege of earning or receiving income in or as a resident
34 of this State. The Personal Property Tax Replacement Income

1 Tax shall be in addition to the income tax imposed by
2 subsections (a) and (b) of this Section and in addition to
3 all other occupation or privilege taxes imposed by this State
4 or by any municipal corporation or political subdivision
5 thereof.

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

18 (d-1) Rate reduction for certain foreign insurers. In
19 the case of a foreign insurer, as defined by Section 35A-5 of
20 the Illinois Insurance Code, whose state or country of
21 domicile imposes on insurers domiciled in Illinois a
22 retaliatory tax (excluding any insurer whose premiums from
23 reinsurance assumed are 50% or more of its total insurance
24 premiums as determined under paragraph (2) of subsection (b)
25 of Section 304, except that for purposes of this
26 determination premiums from reinsurance do not include
27 premiums from inter-affiliate reinsurance arrangements),
28 beginning with taxable years ending on or after December 31,
29 1999, the sum of the rates of tax imposed by subsections (b)
30 and (d) shall be reduced (but not increased) to the rate at
31 which the total amount of tax imposed under this Act, net of
32 all credits allowed under this Act, shall equal (i) the total
33 amount of tax that would be imposed on the foreign insurer's
34 net income allocable to Illinois for the taxable year by such

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

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

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

16 (B) the privilege tax imposed by Section 409
17 of the Illinois Insurance Code, the fire insurance
18 company tax imposed by Section 12 of the Fire
19 Investigation Act, and the fire department taxes
20 imposed under Section 11-10-1 of the Illinois
21 Municipal Code,

22 equals 1.25% of the net taxable premiums written for the
23 taxable year, as described by subsection (1) of Section
24 409 of the Illinois Insurance Code. This paragraph will
25 in no event increase the rates imposed under subsections
26 (b) and (d).

27 (2) Any reduction in the rates of tax imposed by
28 this subsection shall be applied first against the rates
29 imposed by subsection (b) and only after the tax imposed
30 by subsection (a) net of all credits allowed under this
31 Section other than the credit allowed under subsection
32 (i) has been reduced to zero, against the rates imposed
33 by subsection (d).

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

1 Section 250.

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

5 (1) A taxpayer shall be allowed a credit equal to
6 .5% of the basis of qualified property placed in service
7 during the taxable year, provided such property is placed
8 in service on or after July 1, 1984. There shall be
9 allowed an additional credit equal to .5% of the basis of
10 qualified property placed in service during the taxable
11 year, provided such property is placed in service on or
12 after July 1, 1986, and the taxpayer's base employment
13 within Illinois has increased by 1% or more over the
14 preceding year as determined by the taxpayer's employment
15 records filed with the Illinois Department of Employment
16 Security. Taxpayers who are new to Illinois shall be
17 deemed to have met the 1% growth in base employment for
18 the first year in which they file employment records with
19 the Illinois Department of Employment Security. The
20 provisions added to this Section by Public Act 85-1200
21 (and restored by Public Act 87-895) shall be construed as
22 declaratory of existing law and not as a new enactment.
23 If, in any year, the increase in base employment within
24 Illinois over the preceding year is less than 1%, the
25 additional credit shall be limited to that percentage
26 times a fraction, the numerator of which is .5% and the
27 denominator of which is 1%, but shall not exceed .5%.
28 The investment credit shall not be allowed to the extent
29 that it would reduce a taxpayer's liability in any tax
30 year below zero, nor may any credit for qualified
31 property be allowed for any year other than the year in
32 which the property was placed in service in Illinois. For
33 tax years ending on or after December 31, 1987, and on or
34 before December 31, 1988, the credit shall be allowed for

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

28 (2) The term "qualified property" means property
29 which:

30 (A) is tangible, whether new or used,
31 including buildings and structural components of
32 buildings and signs that are real property, but not
33 including land or improvements to real property that
34 are not a structural component of a building such as

1 landscaping, sewer lines, local access roads,
2 fencing, parking lots, and other appurtenances;

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

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

10 (D) is used in Illinois by a taxpayer who is
11 primarily engaged in manufacturing, or in mining
12 coal or fluorite, or in retailing; and

13 (E) has not previously been used in Illinois
14 in such a manner and by such a person as would
15 qualify for the credit provided by this subsection
16 (e) or 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
23 of this subsection (e) the term "mining" shall have the
24 same meaning as the term "mining" in Section 613(c) of
25 the Internal Revenue Code. For purposes of this
26 subsection (e), the term "retailing" means the sale of
27 tangible personal property or services rendered in
28 conjunction with the sale of tangible consumer goods or
29 commodities.

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

33 (5) If the basis of the property for federal income
34 tax depreciation purposes is increased after it has been

1 placed in service in Illinois by the taxpayer, the amount
2 of such increase shall be deemed property placed in
3 service on the date of such increase in basis.

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

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

24 (8) Unless the investment credit is extended by
25 law, the basis of qualified property shall not include
26 costs incurred after December 31, 2003, except for costs
27 incurred pursuant to a binding contract entered into on
28 or before December 31, 2003.

29 (9) Each taxable year ending before December 31,
30 2000, a partnership may elect to pass through to its
31 partners the credits to which the partnership is entitled
32 under this subsection (e) for the taxable year. A
33 partner may use the credit allocated to him or her under
34 this paragraph only against the tax imposed in

1 subsections (c) and (d) of this Section. If the
2 partnership makes that election, those credits shall be
3 allocated among the partners in the partnership in
4 accordance with the rules set forth in Section 704(b) of
5 the Internal Revenue Code, and the rules promulgated
6 under that Section, and the allocated amount of the
7 credits shall be allowed to the partners for that taxable
8 year. The partnership shall make this election on its
9 Personal Property Tax Replacement Income Tax return for
10 that taxable year. The election to pass through the
11 credits shall be irrevocable.

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

26 (f) Investment credit; Enterprise Zone.

27 (1) A taxpayer shall be allowed a credit against
28 the tax imposed by subsections (a) and (b) of this
29 Section for investment in qualified property which is
30 placed in service in an Enterprise Zone created pursuant
31 to the Illinois Enterprise Zone Act. For partners,
32 shareholders of Subchapter S corporations, and owners of
33 limited liability companies, if the liability company is
34 treated as a partnership for purposes of federal and

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

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

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

28 (B) is depreciable pursuant to Section 167 of
29 the Internal Revenue Code, except that "3-year
30 property" as defined in Section 168(c)(2)(A) of that
31 Code is not eligible for the credit provided by this
32 subsection (f);

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

1 (D) is used in the Enterprise Zone by the
2 taxpayer; and

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

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

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

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

18 (6) If during any taxable year, any property ceases
19 to be qualified property in the hands of the taxpayer
20 within 48 months after being placed in service, or the
21 situs of any qualified property is moved outside the
22 Enterprise Zone within 48 months after being placed in
23 service, the tax imposed under subsections (a) and (b) of
24 this Section for such taxable year shall be increased.
25 Such increase shall be determined by (i) recomputing the
26 investment credit which would have been allowed for the
27 year in which credit for such property was originally
28 allowed by eliminating such property from such
29 computation, and (ii) subtracting such recomputed credit
30 from the amount of credit previously allowed. For the
31 purposes of this paragraph (6), a reduction of the basis
32 of qualified property resulting from a redetermination of
33 the purchase price shall be deemed a disposition of
34 qualified property to the extent of such reduction.

1 (g) Jobs Tax Credit; Enterprise Zone and Foreign Trade
2 Zone or Sub-Zone.

3 (1) A taxpayer conducting a trade or business in an
4 enterprise zone or a High Impact Business designated by
5 the Department of Commerce and Community Affairs
6 conducting a trade or business in a federally designated
7 Foreign Trade Zone or Sub-Zone shall be allowed a credit
8 against the tax imposed by subsections (a) and (b) of
9 this Section in the amount of \$500 per eligible employee
10 hired to work in the zone during the taxable year.

11 (2) To qualify for the credit:

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

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

24 (C) the eligible employees must be employed
25 180 consecutive days in order to be deemed hired for
26 purposes of this subsection.

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

29 (A) Certified by the Department of Commerce
30 and Community Affairs as "eligible for services"
31 pursuant to regulations promulgated in accordance
32 with Title II of the Job Training Partnership Act,
33 Training Services for the Disadvantaged or Title III
34 of the Job Training Partnership Act, Employment and

1 Training Assistance for Dislocated Workers Program.

2 (B) Hired after the enterprise zone or
3 federally designated Foreign Trade Zone or Sub-Zone
4 was designated or the trade or business was located
5 in that zone, whichever is later.

6 (C) Employed in the enterprise zone or Foreign
7 Trade Zone or Sub-Zone. An employee is employed in
8 an enterprise zone or federally designated Foreign
9 Trade Zone or Sub-Zone if his services are rendered
10 there or it is the base of operations for the
11 services performed.

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

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

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

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

34 (h) Investment credit; High Impact Business.

1 (1) Subject to subsection (b) of Section 5.5 of the
2 Illinois Enterprise Zone Act, a taxpayer shall be allowed
3 a credit against the tax imposed by subsections (a) and
4 (b) of this Section for investment in qualified property
5 which is placed in service by a Department of Commerce
6 and Community Affairs designated High Impact Business.
7 The credit shall be .5% of the basis for such property.
8 The credit shall not be available until the minimum
9 investments in qualified property set forth in Section
10 5.5 of the Illinois Enterprise Zone Act have been
11 satisfied and shall not be allowed to the extent that it
12 would reduce a taxpayer's liability for the tax imposed
13 by subsections (a) and (b) of this Section to below zero.
14 The credit applicable to such minimum investments shall
15 be taken in the taxable year in which such minimum
16 investments have been completed. The credit for
17 additional investments beyond the minimum investment by a
18 designated high impact business shall be available only
19 in the taxable year in which the property is placed in
20 service and shall not be allowed to the extent that it
21 would reduce a taxpayer's liability for the tax imposed
22 by subsections (a) and (b) of this Section to below zero.
23 For tax years ending on or after December 31, 1987, the
24 credit shall be allowed for the tax year in which the
25 property is placed in service, or, if the amount of the
26 credit exceeds the tax liability for that year, whether
27 it exceeds the original liability or the liability as
28 later amended, such excess may be carried forward and
29 applied to the tax liability of the 5 taxable years
30 following the excess credit year. The credit shall be
31 applied to the earliest year for which there is a
32 liability. If there is credit from more than one tax
33 year that is available to offset a liability, the credit
34 accruing first in time shall be applied first.

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

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

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

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

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

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

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

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

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

31 (6) If during any taxable year ending on or before
32 December 31, 1996, any property ceases to be qualified
33 property in the hands of the taxpayer within 48 months
34 after being placed in service, or the situs of any

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

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

26 (i) A credit shall be allowed against the tax imposed by
27 subsections (a) and (b) of this Section for the tax imposed
28 by subsections (c) and (d) of this Section. This credit
29 shall be computed by multiplying the tax imposed by
30 subsections (c) and (d) of this Section by a fraction, the
31 numerator of which is base income allocable to Illinois and
32 the denominator of which is Illinois base income, and further
33 multiplying the product by the tax rate imposed by
34 subsections (a) and (b) of this Section.

1 Any credit earned on or after December 31, 1986 under
2 this subsection which is unused in the year the credit is
3 computed because it exceeds the tax liability imposed by
4 subsections (a) and (b) for that year (whether it exceeds the
5 original liability or the liability as later amended) may be
6 carried forward and applied to the tax liability imposed by
7 subsections (a) and (b) of the 5 taxable years following the
8 excess credit year. This credit shall be applied first to
9 the earliest year for which there is a liability. If there
10 is a credit under this subsection from more than one tax year
11 that is available to offset a liability the earliest credit
12 arising under this subsection shall be applied first.

13 If, during any taxable year ending on or after December
14 31, 1986, the tax imposed by subsections (c) and (d) of this
15 Section for which a taxpayer has claimed a credit under this
16 subsection (i) is reduced, the amount of credit for such tax
17 shall also be reduced. Such reduction shall be determined by
18 recomputing the credit to take into account the reduced tax
19 imposed by subsection (c) and (d). If any portion of the
20 reduced amount of credit has been carried to a different
21 taxable year, an amended return shall be filed for such
22 taxable year to reduce the amount of credit claimed.

23 (j) Training expense credit. Beginning with tax years
24 ending on or after December 31, 1986, a taxpayer shall be
25 allowed a credit against the tax imposed by subsection (a)
26 and (b) under this Section for all amounts paid or accrued,
27 on behalf of all persons employed by the taxpayer in Illinois
28 or Illinois residents employed outside of Illinois by a
29 taxpayer, for educational or vocational training in
30 semi-technical or technical fields or semi-skilled or skilled
31 fields, which were deducted from gross income in the
32 computation of taxable income. The credit against the tax
33 imposed by subsections (a) and (b) shall be 1.6% of such
34 training expenses. For partners, shareholders of subchapter

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

8 Any credit allowed under this subsection which is unused
9 in the year the credit is earned may be carried forward to
10 each of the 5 taxable years following the year for which the
11 credit is first computed until it is used. This credit shall
12 be applied first to the earliest year for which there is a
13 liability. If there is a credit under this subsection from
14 more than one tax year that is available to offset a
15 liability the earliest credit arising under this subsection
16 shall be applied first.

17 (k) Research and development credit.

18 Beginning with tax years ending after July 1, 1990, a
19 taxpayer shall be allowed a credit against the tax imposed by
20 subsections (a) and (b) of this Section for increasing
21 research activities in this State. The credit allowed
22 against the tax imposed by subsections (a) and (b) shall be
23 equal to 6 1/2% of the qualifying expenditures for increasing
24 research activities in this State. For partners, shareholders
25 of subchapter S corporations, and owners of limited liability
26 companies, if the liability company is treated as a
27 partnership for purposes of federal and State income
28 taxation, there shall be allowed a credit under this
29 subsection to be determined in accordance with the
30 determination of income and distributive share of income
31 under Sections 702 and 704 and subchapter S of the Internal
32 Revenue Code.

33 For purposes of this subsection, "qualifying
34 expenditures" means the qualifying expenditures as defined

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

12 Any credit in excess of the tax liability for the taxable
13 year may be carried forward. A taxpayer may elect to have the
14 unused credit shown on its final completed return carried
15 over as a credit against the tax liability for the following
16 5 taxable years or until it has been fully used, whichever
17 occurs first.

18 If an unused credit is carried forward to a given year
19 from 2 or more earlier years, that credit arising in the
20 earliest year will be applied first against the tax liability
21 for the given year. If a tax liability for the given year
22 still remains, the credit from the next earliest year will
23 then be applied, and so on, until all credits have been used
24 or no tax liability for the given year remains. Any
25 remaining unused credit or credits then will be carried
26 forward to the next following year in which a tax liability
27 is incurred, except that no credit can be carried forward to
28 a year which is more than 5 years after the year in which the
29 expense for which the credit is given was incurred.

30 Unless extended by law, the credit shall not include
31 costs incurred after December 31, 2004, except for costs
32 incurred pursuant to a binding contract entered into on or
33 before December 31, 2004.

34 No inference shall be drawn from this amendatory Act of

1 the 91st General Assembly in construing this Section for
2 taxable years beginning before January 1, 1999.

3 (1) Environmental Remediation Tax Credit.

4 (i) For tax years ending after December 31, 1997
5 and on or before December 31, 2001, a taxpayer shall be
6 allowed a credit against the tax imposed by subsections
7 (a) and (b) of this Section for certain amounts paid for
8 unreimbursed eligible remediation costs, as specified in
9 this subsection. For purposes of this Section,
10 "unreimbursed eligible remediation costs" means costs
11 approved by the Illinois Environmental Protection Agency
12 ("Agency") under Section 58.14 of the Environmental
13 Protection Act that were paid in performing environmental
14 remediation at a site for which a No Further Remediation
15 Letter was issued by the Agency and recorded under
16 Section 58.10 of the Environmental Protection Act. The
17 credit must be claimed for the taxable year in which
18 Agency approval of the eligible remediation costs is
19 granted. The credit is not available to any taxpayer if
20 the taxpayer or any related party caused or contributed
21 to, in any material respect, a release of regulated
22 substances on, in, or under the site that was identified
23 and addressed by the remedial action pursuant to the Site
24 Remediation Program of the Environmental Protection Act.
25 After the Pollution Control Board rules are adopted
26 pursuant to the Illinois Administrative Procedure Act for
27 the administration and enforcement of Section 58.9 of the
28 Environmental Protection Act, determinations as to credit
29 availability for purposes of this Section shall be made
30 consistent with those rules. For purposes of this
31 Section, "taxpayer" includes a person whose tax
32 attributes the taxpayer has succeeded to under Section
33 381 of the Internal Revenue Code and "related party"
34 includes the persons disallowed a deduction for losses by

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

17 (ii) A credit allowed under this subsection that is
18 unused in the year the credit is earned may be carried
19 forward to each of the 5 taxable years following the year
20 for which the credit is first earned until it is used.
21 The term "unused credit" does not include any amounts of
22 unreimbursed eligible remediation costs in excess of the
23 maximum credit per site authorized under paragraph (i).
24 This credit shall be applied first to the earliest year
25 for which there is a liability. If there is a credit
26 under this subsection from more than one tax year that is
27 available to offset a liability, the earliest credit
28 arising under this subsection shall be applied first. A
29 credit allowed under this subsection may be sold to a
30 buyer as part of a sale of all or part of the remediation
31 site for which the credit was granted. The purchaser of
32 a remediation site and the tax credit shall succeed to
33 the unused credit and remaining carry-forward period of
34 the seller. To perfect the transfer, the assignor shall

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

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

12 (m) Education expense credit.

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

25 For purposes of this subsection;

26 "Qualifying pupils" means individuals who (i) are
27 residents of the State of Illinois, (ii) are under the age of
28 21 at the close of the school year for which a credit is
29 sought, and (iii) during the school year for which a credit
30 is sought were full-time pupils enrolled in a kindergarten
31 through twelfth grade education program at any school, as
32 defined in this subsection.

33 "Qualified education expense" means the amount incurred
34 on behalf of a qualifying pupil in excess of \$250 for

1 tuition, book fees, and lab fees at the school in which the
2 pupil is enrolled during the regular school year.

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

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

13 (Source: P.A. 90-123, eff. 7-21-97; 90-458, eff. 8-17-97;
14 90-605, eff. 6-30-98; 90-655, eff. 7-30-98; 90-717, eff.
15 8-7-98; 90-792, eff. 1-1-99; 91-9, eff. 1-1-00; 91-357, eff.
16 7-29-99; 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860,
17 eff. 6-22-00; 91-913, eff. 1-1-01; revised 10-24-00.)

18 (35 ILCS 5/202) (from Ch. 120, par. 2-202)

19 Sec. 202. Net Income Defined. In general. For purposes of
20 this Act, a taxpayer's net income for a taxable year shall be
21 that portion of his base income for such year ~~except--money~~
22 ~~and--other--benefits,--other--than--salary,--received--by--a--driver~~
23 ~~in--a--ridesharing--arrangement--using--a--motor--vehicle,~~ which is
24 allocable to this State under the provisions of Article 3,
25 less the standard exemption allowed by Section 204 and the
26 deduction allowed by Section 207.

27 (Source: P.A. 85-731.)

28 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

29 Sec. 203. Base income defined.

30 (a) Individuals.

31 (1) In general. In the case of an individual, base
32 income means an amount equal to the taxpayer's adjusted

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

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

6 (A) An amount equal to all amounts paid or
7 accrued to the taxpayer as interest or dividends
8 during the taxable year to the extent excluded from
9 gross income in the computation of adjusted gross
10 income, except stock dividends of qualified public
11 utilities described in Section 305(e) of the
12 Internal Revenue Code;

13 (B) An amount equal to the amount of tax
14 imposed by this Act to the extent deducted from
15 gross income in the computation of adjusted gross
16 income for the taxable year;

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

30 (D) An amount equal to the amount of the
31 capital gain deduction allowable under the Internal
32 Revenue Code, to the extent deducted from gross
33 income in the computation of adjusted gross income;

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

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

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

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

17 (E) Any amount included in such total in
18 respect of any compensation (including but not
19 limited to any compensation paid or accrued to a
20 serviceman while a prisoner of war or missing in
21 action) paid to a resident by reason of being on
22 active duty in the Armed Forces of the United States
23 and in respect of any compensation paid or accrued
24 to a resident who as a governmental employee was a
25 prisoner of war or missing in action, and in respect
26 of any compensation paid to a resident in 1971 or
27 thereafter for annual training performed pursuant to
28 Sections 502 and 503, Title 32, United States Code
29 as a member of the Illinois National Guard;

30 (F) An amount equal to all amounts included in
31 such total pursuant to the provisions of Sections
32 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
33 408 of the Internal Revenue Code, or included in
34 such total as distributions under the provisions of

1 any retirement or disability plan for employees of
2 any governmental agency or unit, or retirement
3 payments to retired partners, which payments are
4 excluded in computing net earnings from self
5 employment by Section 1402 of the Internal Revenue
6 Code and regulations adopted pursuant thereto;

7 (G) The valuation limitation amount;

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

12 (I) An amount equal to all amounts included in
13 such total pursuant to the provisions of Section 111
14 of the Internal Revenue Code as a recovery of items
15 previously deducted from adjusted gross income in
16 the computation of taxable income;

17 (J) An amount equal to those dividends
18 included in such total which were paid by a
19 corporation which conducts business operations in an
20 Enterprise Zone or zones created under the Illinois
21 Enterprise Zone Act, and conducts substantially all
22 of its operations in an Enterprise Zone or zones;

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

33 (L) For taxable years ending after December
34 31, 1983, an amount equal to all social security

1 benefits and railroad retirement benefits included
2 in such total pursuant to Sections 72(r) and 86 of
3 the Internal Revenue Code;

4 (M) With the exception of any amounts
5 subtracted under subparagraph (N), an amount equal
6 to the sum of all amounts disallowed as deductions
7 by (i) Sections 171(a) (2), and 265(2) of the
8 Internal Revenue Code of 1954, as now or hereafter
9 amended, and all amounts of expenses allocable to
10 interest and disallowed as deductions by Section
11 265(1) of the Internal Revenue Code of 1954, as now
12 or hereafter amended; and (ii) for taxable years
13 ending on or after August 13, 1999, Sections
14 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
15 Internal Revenue Code; the provisions of this
16 subparagraph are exempt from the provisions of
17 Section 250;

18 (N) An amount equal to all amounts included in
19 such total which are exempt from taxation by this
20 State either by reason of its statutes or
21 Constitution or by reason of the Constitution,
22 treaties or statutes of the United States; provided
23 that, in the case of any statute of this State that
24 exempts income derived from bonds or other
25 obligations from the tax imposed under this Act, the
26 amount exempted shall be the interest net of bond
27 premium amortization;

28 (O) An amount equal to any contribution made
29 to a job training project established pursuant to
30 the Tax Increment Allocation Redevelopment Act;

31 (P) An amount equal to the amount of the
32 deduction used to compute the federal income tax
33 credit for restoration of substantial amounts held
34 under claim of right for the taxable year pursuant

1 to Section 1341 of the Internal Revenue Code of
2 1986;

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

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

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

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

28 (U) For one taxable year beginning on or after
29 January 1, 1994, an amount equal to the total amount
30 of tax imposed and paid under subsections (a) and
31 (b) of Section 201 of this Act on grant amounts
32 received by the taxpayer under the Nursing Home
33 Grant Assistance Act during the taxpayer's taxable
34 years 1992 and 1993;

1 (V) Beginning with tax years ending on or
2 after December 31, 1995 and ending with tax years
3 ending on or before December 31, 2004, an amount
4 equal to the amount paid by a taxpayer who is a
5 self-employed taxpayer, a partner of a partnership,
6 or a shareholder in a Subchapter S corporation for
7 health insurance or long-term care insurance for
8 that taxpayer or that taxpayer's spouse or
9 dependents, to the extent that the amount paid for
10 that health insurance or long-term care insurance
11 may be deducted under Section 213 of the Internal
12 Revenue Code of 1986, has not been deducted on the
13 federal income tax return of the taxpayer, and does
14 not exceed the taxable income attributable to that
15 taxpayer's income, self-employment income, or
16 Subchapter S corporation income; except that no
17 deduction shall be allowed under this item (V) if
18 the taxpayer is eligible to participate in any
19 health insurance or long-term care insurance plan of
20 an employer of the taxpayer or the taxpayer's
21 spouse. The amount of the health insurance and
22 long-term care insurance subtracted under this item
23 (V) shall be determined by multiplying total health
24 insurance and long-term care insurance premiums paid
25 by the taxpayer times a number that represents the
26 fractional percentage of eligible medical expenses
27 under Section 213 of the Internal Revenue Code of
28 1986 not actually deducted on the taxpayer's federal
29 income tax return;

30 (W) For taxable years beginning on or after
31 January 1, 1998, all amounts included in the
32 taxpayer's federal gross income in the taxable year
33 from amounts converted from a regular IRA to a Roth
34 IRA. This paragraph is exempt from the provisions of

1 Section 250; and

2 (X) For taxable year 1999 and thereafter, an
3 amount equal to the amount of any (i) distributions,
4 to the extent includible in gross income for federal
5 income tax purposes, made to the taxpayer because of
6 his or her status as a victim of persecution for
7 racial or religious reasons by Nazi Germany or any
8 other Axis regime or as an heir of the victim and
9 (ii) items of income, to the extent includible in
10 gross income for federal income tax purposes,
11 attributable to, derived from or in any way related
12 to assets stolen from, hidden from, or otherwise
13 lost to a victim of persecution for racial or
14 religious reasons by Nazi Germany or any other Axis
15 regime immediately prior to, during, and immediately
16 after World War II, including, but not limited to,
17 interest on the proceeds receivable as insurance
18 under policies issued to a victim of persecution for
19 racial or religious reasons by Nazi Germany or any
20 other Axis regime by European insurance companies
21 immediately prior to and during World War II;
22 provided, however, this subtraction from federal
23 adjusted gross income does not apply to assets
24 acquired with such assets or with the proceeds from
25 the sale of such assets; provided, further, this
26 paragraph shall only apply to a taxpayer who was the
27 first recipient of such assets after their recovery
28 and who is a victim of persecution for racial or
29 religious reasons by Nazi Germany or any other Axis
30 regime or as an heir of the victim. The amount of
31 and the eligibility for any public assistance,
32 benefit, or similar entitlement is not affected by
33 the inclusion of items (i) and (ii) of this
34 paragraph in gross income for federal income tax

1 purposes. This paragraph is exempt from the
2 provisions of Section 250; and

3 (Y) Any amount included in adjusted gross
4 income, other than salary, received by a driver in a
5 ridesharing arrangement using a motor vehicle.

6 (b) Corporations.

7 (1) In general. In the case of a corporation, base
8 income means an amount equal to the taxpayer's taxable
9 income for the taxable year as modified by paragraph (2).

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

13 (A) An amount equal to all amounts paid or
14 accrued to the taxpayer as interest and all
15 distributions received from regulated investment
16 companies during the taxable year to the extent
17 excluded from gross income in the computation of
18 taxable income;

19 (B) An amount equal to the amount of tax
20 imposed by this Act to the extent deducted from
21 gross income in the computation of taxable income
22 for the taxable year;

23 (C) In the case of a regulated investment
24 company, an amount equal to the excess of (i) the
25 net long-term capital gain for the taxable year,
26 over (ii) the amount of the capital gain dividends
27 designated as such in accordance with Section
28 852(b)(3)(C) of the Internal Revenue Code and any
29 amount designated under Section 852(b)(3)(D) of the
30 Internal Revenue Code, attributable to the taxable
31 year (this amendatory Act of 1995 (Public Act 89-89)
32 is declarative of existing law and is not a new
33 enactment);

34 (D) The amount of any net operating loss

1 deduction taken in arriving at taxable income, other
2 than a net operating loss carried forward from a
3 taxable year ending prior to December 31, 1986;

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

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

23 (ii) the addition modification relating
24 to the net operating loss carried back or
25 forward to the taxable year from any taxable
26 year ending prior to December 31, 1986 shall
27 not exceed the amount of such carryback or
28 carryforward;

29 For taxable years in which there is a net
30 operating loss carryback or carryforward from more
31 than one other taxable year ending prior to December
32 31, 1986, the addition modification provided in this
33 subparagraph (E) shall be the sum of the amounts
34 computed independently under the preceding

1 provisions of this subparagraph (E) for each such
2 taxable year; and

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

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

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

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

18 (H) In the case of a regulated investment
19 company, an amount equal to the amount of exempt
20 interest dividends as defined in subsection (b) (5)
21 of Section 852 of the Internal Revenue Code, paid to
22 shareholders for the taxable year;

23 (I) With the exception of any amounts
24 subtracted under subparagraph (J), an amount equal
25 to the sum of all amounts disallowed as deductions
26 by (i) Sections 171(a) (2), and 265(a)(2) and
27 amounts disallowed as interest expense by Section
28 291(a)(3) of the Internal Revenue Code, as now or
29 hereafter amended, and all amounts of expenses
30 allocable to interest and disallowed as deductions
31 by Section 265(a)(1) of the Internal Revenue Code,
32 as now or hereafter amended; and (ii) for taxable
33 years ending on or after August 13, 1999, Sections
34 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)

1 of the Internal Revenue Code; the provisions of this
2 subparagraph are exempt from the provisions of
3 Section 250;

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

14 (K) An amount equal to those dividends
15 included in such total which were paid by a
16 corporation which conducts business operations in an
17 Enterprise Zone or zones created under the Illinois
18 Enterprise Zone Act and conducts substantially all
19 of its operations in an Enterprise Zone or zones;

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

30 (M) For any taxpayer that is a financial
31 organization within the meaning of Section 304(c) of
32 this Act, an amount included in such total as
33 interest income from a loan or loans made by such
34 taxpayer to a borrower, to the extent that such a

1 loan is secured by property which is eligible for
2 the Enterprise Zone Investment Credit. To determine
3 the portion of a loan or loans that is secured by
4 property eligible for a Section 201(f) ~~201(h)~~
5 investment credit to the borrower, the entire
6 principal amount of the loan or loans between the
7 taxpayer and the borrower should be divided into the
8 basis of the Section 201(f) ~~201(h)~~ investment credit
9 property which secures the loan or loans, using for
10 this purpose the original basis of such property on
11 the date that it was placed in service in the
12 Enterprise Zone. The subtraction modification
13 available to taxpayer in any year under this
14 subsection shall be that portion of the total
15 interest paid by the borrower with respect to such
16 loan attributable to the eligible property as
17 calculated under the previous sentence;

18 (M-1) For any taxpayer that is a financial
19 organization within the meaning of Section 304(c) of
20 this Act, an amount included in such total as
21 interest income from a loan or loans made by such
22 taxpayer to a borrower, to the extent that such a
23 loan is secured by property which is eligible for
24 the High Impact Business Investment Credit. To
25 determine the portion of a loan or loans that is
26 secured by property eligible for a Section 201(h)
27 ~~201(i)~~ investment credit to the borrower, the entire
28 principal amount of the loan or loans between the
29 taxpayer and the borrower should be divided into the
30 basis of the Section 201(h) ~~201(i)~~ investment credit
31 property which secures the loan or loans, using for
32 this purpose the original basis of such property on
33 the date that it was placed in service in a
34 federally designated Foreign Trade Zone or Sub-Zone

1 located in Illinois. No taxpayer that is eligible
2 for the deduction provided in subparagraph (M) of
3 paragraph (2) of this subsection shall be eligible
4 for the deduction provided under this subparagraph
5 (M-1). The subtraction modification available to
6 taxpayers in any year under this subsection shall be
7 that portion of the total interest paid by the
8 borrower with respect to such loan attributable to
9 the eligible property as calculated under the
10 previous sentence;

11 (N) Two times any contribution made during the
12 taxable year to a designated zone organization to
13 the extent that the contribution (i) qualifies as a
14 charitable contribution under subsection (c) of
15 Section 170 of the Internal Revenue Code and (ii)
16 must, by its terms, be used for a project approved
17 by the Department of Commerce and Community Affairs
18 under Section 11 of the Illinois Enterprise Zone
19 Act;

20 (O) An amount equal to: (i) 85% for taxable
21 years ending on or before December 31, 1992, or, a
22 percentage equal to the percentage allowable under
23 Section 243(a)(1) of the Internal Revenue Code of
24 1986 for taxable years ending after December 31,
25 1992, of the amount by which dividends included in
26 taxable income and received from a corporation that
27 is not created or organized under the laws of the
28 United States or any state or political subdivision
29 thereof, including, for taxable years ending on or
30 after December 31, 1988, dividends received or
31 deemed received or paid or deemed paid under
32 Sections 951 through 964 of the Internal Revenue
33 Code, exceed the amount of the modification provided
34 under subparagraph (G) of paragraph (2) of this

1 subsection (b) which is related to such dividends;
2 plus (ii) 100% of the amount by which dividends,
3 included in taxable income and received, including,
4 for taxable years ending on or after December 31,
5 1988, dividends received or deemed received or paid
6 or deemed paid under Sections 951 through 964 of the
7 Internal Revenue Code, from any such corporation
8 specified in clause (i) that would but for the
9 provisions of Section 1504 (b) (3) of the Internal
10 Revenue Code be treated as a member of the
11 affiliated group which includes the dividend
12 recipient, exceed the amount of the modification
13 provided under subparagraph (G) of paragraph (2) of
14 this subsection (b) which is related to such
15 dividends;

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

19 (Q) An amount equal to the amount of the
20 deduction used to compute the federal income tax
21 credit for restoration of substantial amounts held
22 under claim of right for the taxable year pursuant
23 to Section 1341 of the Internal Revenue Code of
24 1986;

25 (R) In the case of an attorney-in-fact with
26 respect to whom an interinsurer or a reciprocal
27 insurer has made the election under Section 835 of
28 the Internal Revenue Code, 26 U.S.C. 835, an amount
29 equal to the excess, if any, of the amounts paid or
30 incurred by that interinsurer or reciprocal insurer
31 in the taxable year to the attorney-in-fact over the
32 deduction allowed to that interinsurer or reciprocal
33 insurer with respect to the attorney-in-fact under
34 Section 835(b) of the Internal Revenue Code for the

1 taxable year; and

2 (S) For taxable years ending on or after
3 December 31, 1997, in the case of a Subchapter S
4 corporation, an amount equal to all amounts of
5 income allocable to a shareholder subject to the
6 Personal Property Tax Replacement Income Tax imposed
7 by subsections (c) and (d) of Section 201 of this
8 Act, including amounts allocable to organizations
9 exempt from federal income tax by reason of Section
10 501(a) of the Internal Revenue Code. This
11 subparagraph (S) is exempt from the provisions of
12 Section 250.

13 (3) Special rule. For purposes of paragraph (2)
14 (A), "gross income" in the case of a life insurance
15 company, for tax years ending on and after December 31,
16 1994, shall mean the gross investment income for the
17 taxable year.

18 (c) Trusts and estates.

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

23 (2) Modifications. Subject to the provisions of
24 paragraph (3), the taxable income referred to in
25 paragraph (1) shall be modified by adding thereto the sum
26 of the following amounts:

27 (A) An amount equal to all amounts paid or
28 accrued to the taxpayer as interest or dividends
29 during the taxable year to the extent excluded from
30 gross income in the computation of taxable income;

31 (B) In the case of (i) an estate, \$600; (ii) a
32 trust which, under its governing instrument, is
33 required to distribute all of its income currently,
34 \$300; and (iii) any other trust, \$100, but in each

1 such case, only to the extent such amount was
2 deducted in the computation of taxable income;

3 (C) An amount equal to the amount of tax
4 imposed by this Act to the extent deducted from
5 gross income in the computation of taxable income
6 for the taxable year;

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

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

21 (i) the addition modification relating to
22 the net operating loss carried back or forward
23 to the taxable year from any taxable year
24 ending prior to December 31, 1986 shall be
25 reduced by the amount of addition modification
26 under this subparagraph (E) which related to
27 that net operating loss and which was taken
28 into account in calculating the base income of
29 an earlier taxable year, and

30 (ii) the addition modification relating
31 to the net operating loss carried back or
32 forward to the taxable year from any taxable
33 year ending prior to December 31, 1986 shall
34 not exceed the amount of such carryback or

1 carryforward;

2 For taxable years in which there is a net
3 operating loss carryback or carryforward from more
4 than one other taxable year ending prior to December
5 31, 1986, the addition modification provided in this
6 subparagraph (E) shall be the sum of the amounts
7 computed independently under the preceding
8 provisions of this subparagraph (E) for each such
9 taxable year;

10 (F) For taxable years ending on or after
11 January 1, 1989, an amount equal to the tax deducted
12 pursuant to Section 164 of the Internal Revenue Code
13 if the trust or estate is claiming the same tax for
14 purposes of the Illinois foreign tax credit under
15 Section 601 of this Act;

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

20 (G-5) For taxable years ending after December
21 31, 1997, an amount equal to any eligible
22 remediation costs that the trust or estate deducted
23 in computing adjusted gross income and for which the
24 trust or estate claims a credit under subsection (1)
25 of Section 201;

26 and by deducting from the total so obtained the sum of
27 the following amounts:

28 (H) An amount equal to all amounts included in
29 such total pursuant to the provisions of Sections
30 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and
31 408 of the Internal Revenue Code or included in such
32 total as distributions under the provisions of any
33 retirement or disability plan for employees of any
34 governmental agency or unit, or retirement payments

1 to retired partners, which payments are excluded in
2 computing net earnings from self employment by
3 Section 1402 of the Internal Revenue Code and
4 regulations adopted pursuant thereto;

5 (I) The valuation limitation amount;

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

10 (K) An amount equal to all amounts included in
11 taxable income as modified by subparagraphs (A),
12 (B), (C), (D), (E), (F) and (G) which are exempt
13 from taxation by this State either by reason of its
14 statutes or Constitution or by reason of the
15 Constitution, treaties or statutes of the United
16 States; provided that, in the case of any statute of
17 this State that exempts income derived from bonds or
18 other obligations from the tax imposed under this
19 Act, the amount exempted shall be the interest net
20 of bond premium amortization;

21 (L) With the exception of any amounts
22 subtracted under subparagraph (K), an amount equal
23 to the sum of all amounts disallowed as deductions
24 by (i) Sections 171(a) (2) and 265(a)(2) of the
25 Internal Revenue Code, as now or hereafter amended,
26 and all amounts of expenses allocable to interest
27 and disallowed as deductions by Section 265(1) of
28 the Internal Revenue Code of 1954, as now or
29 hereafter amended; and (ii) for taxable years ending
30 on or after August 13, 1999, Sections 171(a)(2),
31 265, 280C, and 832(b)(5)(B)(i) of the Internal
32 Revenue Code; the provisions of this subparagraph
33 are exempt from the provisions of Section 250;

34 (M) An amount equal to those dividends

1 included in such total which were paid by a
2 corporation which conducts business operations in an
3 Enterprise Zone or zones created under the Illinois
4 Enterprise Zone Act and conducts substantially all
5 of its operations in an Enterprise Zone or Zones;

6 (N) An amount equal to any contribution made
7 to a job training project established pursuant to
8 the Tax Increment Allocation Redevelopment Act;

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

19 (P) An amount equal to the amount of the
20 deduction used to compute the federal income tax
21 credit for restoration of substantial amounts held
22 under claim of right for the taxable year pursuant
23 to Section 1341 of the Internal Revenue Code of
24 1986; and

25 (Q) For taxable year 1999 and thereafter, an
26 amount equal to the amount of any (i) distributions,
27 to the extent includible in gross income for federal
28 income tax purposes, made to the taxpayer because of
29 his or her status as a victim of persecution for
30 racial or religious reasons by Nazi Germany or any
31 other Axis regime or as an heir of the victim and
32 (ii) items of income, to the extent includible in
33 gross income for federal income tax purposes,
34 attributable to, derived from or in any way related

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

26 (3) Limitation. The amount of any modification
27 otherwise required under this subsection shall, under
28 regulations prescribed by the Department, be adjusted by
29 any amounts included therein which were properly paid,
30 credited, or required to be distributed, or permanently
31 set aside for charitable purposes pursuant to Internal
32 Revenue Code Section 642(c) during the taxable year.

33 (d) Partnerships.

34 (1) In general. In the case of a partnership, base

1 income means an amount equal to the taxpayer's taxable
2 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

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

23 (E) The valuation limitation amount;

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

28 (G) An amount equal to all amounts included in
29 taxable income as modified by subparagraphs (A),
30 (B), (C) and (D) which are exempt from taxation by
31 this State either by reason of its statutes or
32 Constitution or by reason of the Constitution,
33 treaties or statutes of the United States; provided
34 that, in the case of any statute of this State that

1 exempts income derived from bonds or other
2 obligations from the tax imposed under this Act, the
3 amount exempted shall be the interest net of bond
4 premium amortization;

5 (H) Any income of the partnership which
6 constitutes personal service income as defined in
7 Section 1348 (b) (1) of the Internal Revenue Code
8 (as in effect December 31, 1981) or a reasonable
9 allowance for compensation paid or accrued for
10 services rendered by partners to the partnership,
11 whichever is greater;

12 (I) An amount equal to all amounts of income
13 distributable to an entity subject to the Personal
14 Property Tax Replacement Income Tax imposed by
15 subsections (c) and (d) of Section 201 of this Act
16 including amounts distributable to organizations
17 exempt from federal income tax by reason of Section
18 501(a) of the Internal Revenue Code;

19 (J) With the exception of any amounts
20 subtracted under subparagraph (G), an amount equal
21 to the sum of all amounts disallowed as deductions
22 by (i) Sections 171(a) (2), and 265(2) of the
23 Internal Revenue Code of 1954, as now or hereafter
24 amended, and all amounts of expenses allocable to
25 interest and disallowed as deductions by Section
26 265(1) of the Internal Revenue Code, as now or
27 hereafter amended; and (ii) for taxable years ending
28 on or after August 13, 1999, Sections 171(a)(2),
29 265, 280C, and 832(b)(5)(B)(i) of the Internal
30 Revenue Code; the provisions of this subparagraph
31 are exempt from the provisions of Section 250;

32 (K) An amount equal to those dividends
33 included in such total which were paid by a
34 corporation which conducts business operations in an

1 Enterprise Zone or zones created under the Illinois
2 Enterprise Zone Act, enacted by the 82nd General
3 Assembly, and conducts substantially all of its
4 operations ~~which--does--not--conduct--such--operations~~
5 ~~other--than~~ in an Enterprise Zone or Zones;

6 (L) An amount equal to any contribution made
7 to a job training project established pursuant to
8 the Real Property Tax Increment Allocation
9 Redevelopment Act;

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

20 (N) An amount equal to the amount of the
21 deduction used to compute the federal income tax
22 credit for restoration of substantial amounts held
23 under claim of right for the taxable year pursuant
24 to Section 1341 of the Internal Revenue Code of
25 1986.

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

27 (1) In general. Subject to the provisions of
28 paragraph (2) and subsection (b) (3), for purposes of
29 this Section and Section 803(e), a taxpayer's gross
30 income, adjusted gross income, or taxable income for the
31 taxable year shall mean the amount of gross income,
32 adjusted gross income or taxable income properly
33 reportable for federal income tax purposes for the
34 taxable year under the provisions of the Internal Revenue

1 Code. Taxable income may be less than zero. However, for
2 taxable years ending on or after December 31, 1986, net
3 operating loss carryforwards from taxable years ending
4 prior to December 31, 1986, may not exceed the sum of
5 federal taxable income for the taxable year before net
6 operating loss deduction, plus the excess of addition
7 modifications over subtraction modifications for the
8 taxable year. For taxable years ending prior to December
9 31, 1986, taxable income may never be an amount in excess
10 of the net operating loss for the taxable year as defined
11 in subsections (c) and (d) of Section 172 of the Internal
12 Revenue Code, provided that when taxable income of a
13 corporation (other than a Subchapter S corporation),
14 trust, or estate is less than zero and addition
15 modifications, other than those provided by subparagraph
16 (E) of paragraph (2) of subsection (b) for corporations
17 or subparagraph (E) of paragraph (2) of subsection (c)
18 for trusts and estates, exceed subtraction modifications,
19 an addition modification must be made under those
20 subparagraphs for any other taxable year to which the
21 taxable income less than zero (net operating loss) is
22 applied under Section 172 of the Internal Revenue Code or
23 under subparagraph (E) of paragraph (2) of this
24 subsection (e) applied in conjunction with Section 172 of
25 the Internal Revenue Code.

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

29 (A) Certain life insurance companies. In the
30 case of a life insurance company subject to the tax
31 imposed by Section 801 of the Internal Revenue Code,
32 life insurance company taxable income, plus the
33 amount of distribution from pre-1984 policyholder
34 surplus accounts as calculated under Section 815a of

1 the Internal Revenue Code;

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

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

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

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

28 (F) Cooperatives. In the case of a
29 cooperative corporation or association, the taxable
30 income of such organization determined in accordance
31 with the provisions of Section 1381 through 1388 of
32 the Internal Revenue Code;

33 (G) Subchapter S corporations. In the case
34 of: (i) a Subchapter S corporation for which there

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

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

25 (f) Valuation limitation amount.

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

29 (A) The sum of the pre-August 1, 1969
30 appreciation amounts (to the extent consisting of
31 gain reportable under the provisions of Section 1245
32 or 1250 of the Internal Revenue Code) for all
33 property in respect of which such gain was reported
34 for the taxable year; plus

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

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

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

22 (B) If the fair market value of property
23 referred to in paragraph (1) was not readily
24 ascertainable on August 1, 1969, the pre-August 1,
25 1969 appreciation amount for such property is that
26 amount which bears the same ratio to the total gain
27 reported in respect of the property for federal
28 income tax purposes for the taxable year, as the
29 number of full calendar months in that part of the
30 taxpayer's holding period for the property ending
31 July 31, 1969 bears to the number of full calendar
32 months in the taxpayer's entire holding period for
33 the property.

34 (C) The Department shall prescribe such

1 regulations as may be necessary to carry out the
2 purposes of this paragraph.

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

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

15 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;
16 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.
17 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,
18 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;
19 revised 1-15-01.)

20 (35 ILCS 5/209)

21 Sec. 209. Tax Credit for "TECH-PREP" youth vocational
22 programs.

23 (a) Beginning with tax years ending on or after June 30,
24 1995, every taxpayer who is primarily engaged in
25 manufacturing is allowed a credit against the tax imposed by
26 subsections (a) and (b) of Section 201 in an amount equal to
27 20% of the taxpayer's direct payroll expenditures for which a
28 credit has not already been claimed under subsection (j) of
29 Section 201 of this Act, in the tax year for which the credit
30 is claimed, for cooperative secondary school youth vocational
31 programs in Illinois which are certified as qualifying
32 TECH-PREP programs by the State Board of Education and--the

1 Department--of--Revenue because the programs prepare students
2 to be technically skilled workers and meet the performance
3 standards of business and industry and the admission
4 standards of higher education. The credit may also be claimed
5 for personal services rendered to the taxpayer by a TECH-PREP
6 student or instructor (i) which would be subject to the
7 provisions of Article 7 of this Act if the student or
8 instructor was an employee of the taxpayer and (ii) for which
9 no credit under this Section is claimed by another taxpayer.

10 (b) If the amount of the credit exceeds the tax
11 liability for the year, the excess may be carried forward and
12 applied to the tax liability of the 2 taxable years following
13 the excess credit year. The credit shall be applied to the
14 earliest year for which there is a tax liability. If there
15 are credits from more than one tax year that are available to
16 offset a liability, the earlier credit shall be applied
17 first.

18 (c) A taxpayer claiming the credit provided by this
19 Section shall maintain and record such information regarding
20 its participation in a qualifying TECH-PREP program as the
21 Department may require by regulation. When claiming the
22 credit provided by this Section, the taxpayer shall provide
23 such information regarding the taxpayer's participation in a
24 qualifying TECH-PREP program as the Department of Revenue may
25 require by regulation.

26 (d) This Section does not apply to those programs with
27 national standards that have been or in the future are
28 approved by the U.S. Department of Labor, Bureau of
29 Apprenticeship Training or any federal agency succeeding to
30 the responsibilities of that Bureau.

31 (Source: P.A. 88-505; 89-399, eff. 8-20-95.)

32 (35 ILCS 5/303) (from Ch. 120, par. 3-303)

33 Sec. 303. Nonbusiness income of persons other than

1 residents.

2 (a) In general. Any item of capital gain or loss, and
3 any item of income from rents or royalties from real or
4 tangible personal property, interest, dividends, and patent
5 or copyright royalties, and prizes awarded under the Illinois
6 Lottery Law, to the extent such item constitutes nonbusiness
7 income, together with any item of deduction directly
8 allocable thereto, shall be allocated by any person other
9 than a resident as provided in this Section.

10 (b) Capital gains and losses. (1) Real property. Capital
11 gains and losses from sales or exchanges of real property are
12 allocable to this State if the property is located in this
13 State.

14 (2) Tangible personal property. Capital gains and losses
15 from sales or exchanges of tangible personal property are
16 allocable to this State if, at the time of such sale or
17 exchange:

18 (A) The property had its situs in this State; or

19 (B) The taxpayer had its commercial domicile in this
20 State and was not taxable in the state in which the property
21 had its situs.

22 (3) Intangibles. Capital gains and losses from sales or
23 exchanges of intangible personal property are allocable to
24 this State if the taxpayer had its commercial domicile in
25 this State at the time of such sale or exchange.

26 (c) Rents and royalties. (1) Real property. Rents and
27 royalties from real property are allocable to this State if
28 the property is located in this State.

29 (2) Tangible personal property. Rents and royalties from
30 tangible personal property are allocable to this State:

31 (A) If and to the extent that the property is utilized
32 in this State; or

33 (B) In their entirety if, at the time such rents or
34 royalties were paid or accrued, the taxpayer had its

1 commercial domicile in this State and was not organized under
2 the laws of or taxable with respect to such rents or
3 royalties in the state in which the property was utilized.
4 The extent of utilization of tangible personal property in a
5 state is determined by multiplying the rents or royalties
6 derived from such property by a fraction, the numerator of
7 which is the number of days of physical location of the
8 property in the state during the rental or royalty period in
9 the taxable year and the denominator of which is the number
10 of days of physical location of the property everywhere
11 during all rental or royalty periods in the taxable year. If
12 the physical location of the property during the rental or
13 royalty period is unknown or unascertainable by the taxpayer,
14 tangible personal property is utilized in the state in which
15 the property was located at the time the rental or royalty
16 payer obtained possession.

17 (d) Patent and copyright royalties.

18 (1) Allocation. Patent and copyright royalties are
19 allocable to this State:

20 (A) If and to the extent that the patent or copyright is
21 utilized by the payer in this State; or

22 (B) If and to the extent that the patent or copyright is
23 utilized by the payer in a state in which the taxpayer is not
24 taxable with respect to such royalties and, at the time such
25 royalties were paid or accrued, the taxpayer had its
26 commercial domicile in this State.

27 (2) Utilization.

28 (A) A patent is utilized in a state to the extent that
29 it is employed in production, fabrication, manufacturing or
30 other processing in the state or to the extent that a
31 patented product is produced in the state. If the basis of
32 receipts from patent royalties does not permit allocation to
33 states or if the accounting procedures do not reflect states
34 of utilization, the patent is utilized in this State if the

1 taxpayer has its commercial domicile in this State.

2 (B) A copyright is utilized in a state to the extent
3 that printing or other publication originates in the state.
4 If the basis of receipts from copyright royalties does not
5 permit allocation to states or if the accounting procedures
6 do not reflect states of utilization, the copyright is
7 utilized in this State if the taxpayer has its commercial
8 domicile in this State.

9 (e) Illinois lottery, wagering, and gambling winnings
10 prizes. Prizes awarded under the "Illinois Lottery Law"⁷
11 approved-December-14₇-1973₇ are allocable to this State.
12 Payments made after December 31, 2001, of winnings from
13 pari-mutuel wagering conducted at a wagering facility
14 licensed under the Illinois Horse Racing Act of 1975 or from
15 gambling games conducted on a riverboat licensed under the
16 Riverboat Gambling Act are allocable to this State.

17 (f) Taxability in other state. For purposes of
18 allocation of income pursuant to this Section, a taxpayer is
19 taxable in another state if:

20 (1) In that state he is subject to a net income tax, a
21 franchise tax measured by net income, a franchise tax for the
22 privilege of doing business, or a corporate stock tax; or

23 (2) That state has jurisdiction to subject the taxpayer
24 to a net income tax regardless of whether, in fact, the state
25 does or does not.

26 (g) Cross references. (1) For allocation of interest and
27 dividends by persons other than residents, see Section
28 301(c)(2).

29 (2) For allocation of nonbusiness income by residents,
30 see Section 301(a).

31 (Source: P.A. 79-743.)

32 (35 ILCS 5/502) (from Ch. 120, par. 5-502)

33 Sec. 502. Returns and notices.

1 (a) In general. A return with respect to the taxes
2 imposed by this Act shall be made by every person for any
3 taxable year:

4 (1) For which such person is liable for a tax
5 imposed by this Act, or

6 (2) In the case of a resident or in the case of a
7 corporation which is qualified to do business in this
8 State, for which such person is required to make a
9 federal income tax return, regardless of whether such
10 person is liable for a tax imposed by this Act. However,
11 this paragraph shall not require a resident to make a
12 return if such person has an Illinois base income of the
13 basic amount in Section 204(b) or less and is either
14 claimed as a dependent on another person's tax return
15 under the Internal Revenue Code of 1986, or is claimed as
16 a dependent on another person's tax return under this
17 Act.

18 (b) Fiduciaries and receivers.

19 (1) Decedents. If an individual is deceased, any
20 return or notice required of such individual under this
21 Act shall be made by his executor, administrator, or
22 other person charged with the property of such decedent.

23 (2) Individuals under a disability. If an
24 individual is unable to make a return or notice required
25 under this Act, the return or notice required of such
26 individual shall be made by his duly authorized agent,
27 guardian, fiduciary or other person charged with the care
28 of the person or property of such individual.

29 (3) Estates and trusts. Returns or notices required
30 of an estate or a trust shall be made by the fiduciary
31 thereof.

32 (4) Receivers, trustees and assignees for
33 corporations. In a case where a receiver, trustee in
34 bankruptcy, or assignee, by order of a court of competent

1 jurisdiction, by operation of law, or otherwise, has
2 possession of or holds title to all or substantially all
3 the property or business of a corporation, whether or not
4 such property or business is being operated, such
5 receiver, trustee, or assignee shall make the returns and
6 notices required of such corporation in the same manner
7 and form as corporations are required to make such
8 returns and notices.

9 (c) Joint returns by husband and wife.

10 (1) Except as provided in paragraph (3), if a
11 husband and wife file a joint federal income tax return
12 for a taxable year they shall file a joint return under
13 this Act for such taxable year and their liabilities
14 shall be joint and several, but if the federal income tax
15 liability of either spouse is determined on a separate
16 federal income tax return, they shall file separate
17 returns under this Act.

18 (2) If neither spouse is required to file a federal
19 income tax return and either or both are required to file
20 a return under this Act, they may elect to file separate
21 or joint returns and pursuant to such election their
22 liabilities shall be separate or joint and several.

23 (3) If either husband or wife is a resident and the
24 other is a nonresident, they shall file separate returns
25 in this State on such forms as may be required by the
26 Department in which event their tax liabilities shall be
27 separate; but they may elect to determine their joint net
28 income and file a joint return as if both were residents
29 and in such case, their liabilities shall be joint and
30 several.

31 (4) Innocent spouses.

32 (A) However, for tax liabilities arising and
33 paid prior to August 13, 1999 ~~the-effective-date--of~~
34 ~~this-amendatory-Act-of-the-91st-General-Assembly~~, an

1 innocent spouse shall be relieved of liability for
2 tax (including interest and penalties) for any
3 taxable year for which a joint return has been made,
4 upon submission of proof that the Internal Revenue
5 Service has made a determination under Section
6 6013(e) of the Internal Revenue Code, for the same
7 taxable year, which determination relieved the
8 spouse from liability for federal income taxes. If
9 there is no federal income tax liability at issue
10 for the same taxable year, the Department shall rely
11 on the provisions of Section 6013(e) to determine
12 whether the person requesting innocent spouse
13 abatement of tax, penalty, and interest is entitled
14 to that relief.

15 (B) For tax liabilities arising on and after
16 August 13, 1999 ~~the--effective--date--of--this~~
17 ~~amendatory-Aet-of-the-91st-General-Assembly~~ or which
18 arose prior to that effective date, but remain
19 unpaid as of that ~~the--effective~~ date, if an
20 individual who filed a joint return for any taxable
21 year has made an election under this paragraph, the
22 individual's liability for any tax shown on the
23 joint return shall not exceed the individual's
24 separate return amount and the individual's
25 liability for any deficiency assessed for that
26 taxable year shall not exceed the portion of the
27 deficiency properly allocable to the individual.
28 For purposes of this paragraph:

29 (i) An election properly made pursuant to
30 Section 6015 of the Internal Revenue Code shall
31 constitute an election under this paragraph,
32 provided that the election shall not be
33 effective until the individual has notified the
34 Department of the election in the form and

1 manner prescribed by the Department.

2 (ii) If no election has been made under
3 Section 6015, the individual may make an
4 election under this paragraph in the form and
5 manner prescribed by the Department, provided
6 that no election may be made if the Department
7 finds that assets were transferred between
8 individuals filing a joint return as part of a
9 scheme by such individuals to avoid payment of
10 Illinois income tax and the election shall not
11 eliminate the individual's liability for any
12 portion of a deficiency attributable to an
13 error on the return of which the individual had
14 actual knowledge as of the date of filing.

15 (iii) In determining the separate return
16 amount or portion of any deficiency
17 attributable to an individual, the Department
18 shall follow the provisions in subsections (c)
19 and (d) of Section 6015 ~~6015(b)-and-(e)~~ of the
20 Internal Revenue Code.

21 (iv) In determining the validity of an
22 individual's election under subparagraph (ii)
23 and in determining an electing individual's
24 separate return amount or portion of any
25 deficiency under subparagraph (iii), any
26 determination made by the Secretary of the
27 Treasury, by the United States Tax Court on
28 petition for review of a determination by the
29 Secretary of the Treasury, or on appeal from
30 the United States Tax Court under Section 6015
31 ~~6015(a)~~ of the Internal Revenue Code regarding
32 criteria for eligibility or under subsection
33 (d) of Section 6015 ~~6015(b)--or--(e)~~ of the
34 Internal Revenue Code regarding the allocation

1 of any item of income, deduction, payment, or
2 credit between an individual making the federal
3 election and that individual's spouse shall be
4 conclusively presumed to be correct. With
5 respect to any item that is not the subject of
6 a determination by the Secretary of the
7 Treasury or the federal courts, in any
8 proceeding involving this subsection, the
9 individual making the election shall have the
10 burden of proof with respect to any item except
11 that the Department shall have the burden of
12 proof with respect to items in subdivision
13 (ii).

14 (v) Any election made by an individual
15 under this subsection shall apply to all years
16 for which that individual and the spouse named
17 in the election have filed a joint return.

18 (vi) After receiving a notice that the
19 federal election has been made or after
20 receiving an election under subdivision (ii),
21 the Department shall take no collection action
22 against the electing individual for any
23 liability arising from a joint return covered
24 by the election until the Department has
25 notified the electing individual in writing
26 that the election is invalid or of the portion
27 of the liability the Department has allocated
28 to the electing individual. Within 60 days
29 (150 days if the individual is outside the
30 United States) after the issuance of such
31 notification, the individual may file a written
32 protest of the denial of the election or of the
33 Department's determination of the liability
34 allocated to him or her and shall be granted a

1 hearing within the Department under the
2 provisions of Section 908. If a protest is
3 filed, the Department shall take no collection
4 action against the electing individual until
5 the decision regarding the protest has become
6 final under subsection (d) of Section 908 or,
7 if administrative review of the Department's
8 decision is requested under Section 1201, until
9 the decision of the court becomes final.

10 (d) Partnerships. Every partnership having any base
11 income allocable to this State in accordance with section
12 305(c) shall retain information concerning all items of
13 income, gain, loss and deduction; the names and addresses of
14 all of the partners, or names and addresses of members of a
15 limited liability company, or other persons who would be
16 entitled to share in the base income of the partnership if
17 distributed; the amount of the distributive share of each;
18 and such other pertinent information as the Department may by
19 forms or regulations prescribe. The partnership shall make
20 that information available to the Department when requested
21 by the Department.

22 (e) For taxable years ending on or after December 31,
23 1985, and before December 31, 1993, taxpayers that are
24 corporations (other than Subchapter S corporations) having
25 the same taxable year and that are members of the same
26 unitary business group may elect to be treated as one
27 taxpayer for purposes of any original return, amended return
28 which includes the same taxpayers of the unitary group which
29 joined in the election to file the original return,
30 extension, claim for refund, assessment, collection and
31 payment and determination of the group's tax liability under
32 this Act. This subsection (e) does not permit the election to
33 be made for some, but not all, of the purposes enumerated
34 above. For taxable years ending on or after December 31,

1 1987, corporate members (other than Subchapter S
2 corporations) of the same unitary business group making this
3 subsection (e) election are not required to have the same
4 taxable year.

5 For taxable years ending on or after December 31, 1993,
6 taxpayers that are corporations (other than Subchapter S
7 corporations) and that are members of the same unitary
8 business group shall be treated as one taxpayer for purposes
9 of any original return, amended return which includes the
10 same taxpayers of the unitary group which joined in filing
11 the original return, extension, claim for refund, assessment,
12 collection and payment and determination of the group's tax
13 liability under this Act.

14 (f) The Department may promulgate regulations to permit
15 nonresident individual partners of the same partnership,
16 nonresident Subchapter S corporation shareholders of the same
17 Subchapter S corporation, and nonresident individuals
18 transacting an insurance business in Illinois under a Lloyds
19 plan of operation, and nonresident individual members of the
20 same limited liability company that is treated as a
21 partnership under Section 1501 (a)(16) of this Act, to file
22 composite individual income tax returns reflecting the
23 composite income of such individuals allocable to Illinois
24 and to make composite individual income tax payments. The
25 Department may by regulation also permit such composite
26 returns to include the income tax owed by Illinois residents
27 attributable to their income from partnerships, Subchapter S
28 corporations, insurance businesses organized under a Lloyds
29 plan of operation, or limited liability companies that are
30 treated as partnership under Section 1501 (a)(16) of this
31 Act, in which case such Illinois residents will be permitted
32 to claim credits on their individual returns for their shares
33 of the composite tax payments. This paragraph of subsection
34 (f) applies to taxable years ending on or after December 31,

1 1987.

2 For taxable years ending on or after December 31, 1999,
3 the Department may, by regulation, also permit any persons
4 transacting an insurance business organized under a Lloyds
5 plan of operation to file composite returns reflecting the
6 income of such persons allocable to Illinois and the tax
7 rates applicable to such persons under Section 201 and to
8 make composite tax payments and shall, by regulation, also
9 provide that the income and apportionment factors
10 attributable to the transaction of an insurance business
11 organized under a Lloyds plan of operation by any person
12 joining in the filing of a composite return shall, for
13 purposes of allocating and apportioning income under Article
14 3 of this Act and computing net income under Section 202 of
15 this Act, be excluded from any other income and apportionment
16 factors of that person or of any unitary business group, as
17 defined in subdivision (a)(27) of Section 1501, to which that
18 person may belong.

19 (g) The Department may adopt rules to authorize the
20 electronic filing of any return required to be filed under
21 this Section.

22 (Source: P.A. 90-613, eff. 7-9-98; 91-541, eff. 8-13-99;
23 91-913, eff. 1-1-01.)

24 (35 ILCS 5/506) (from Ch. 120, par. 5-506)

25 Sec. 506. Federal Returns.

26 (a) In general. Any person required to make a return
27 for a taxable year under this Act may, at any time that a
28 deficiency could be assessed or a refund claimed under this
29 Act in respect of any item reported or properly reportable on
30 such return or any amendment thereof, be required to furnish
31 to the Department a true and correct copy of any return which
32 may pertain to such item and which was filed by such person
33 under the provisions of the Internal Revenue Code.

1 (b) Changes affecting federal income tax. A person shall
2 notify the Department if: ~~In-the-event~~

3 (1) the taxable income, any item of income or
4 deduction, the income tax liability, or any tax credit
5 reported in a federal income tax return of that any
6 person for any year is altered by amendment of such
7 return or as a result of any other recomputation or
8 redetermination of federal taxable income or loss, and
9 such alteration reflects a change or settlement with
10 respect to any item or items, affecting the computation
11 of such person's net income, net loss, or of any credit
12 provided by Article 2 of this Act for any year under this
13 Act, or in the number of personal exemptions allowable to
14 such person under Section 151 of the Internal Revenue
15 Code, or

16 (2) the amount of tax required to be withheld by
17 that person from compensation paid to employees and
18 required to be reported by that person on a federal
19 return is altered by amendment of the return or by any
20 other recomputation or redetermination that is agreed to
21 or finally determined on or after January 1, 2002, and
22 the alteration affects the amount of compensation subject
23 to withholding by that person under Section 701 of this
24 Act such-person--shall--notify--the--Department--of--such
25 alteration.

26 Such notification shall be in the form of an amended return
27 or such other form as the Department may by regulations
28 prescribe, shall contain the person's name and address and
29 such other information as the Department may by regulations
30 prescribe, shall be signed by such person or his duly
31 authorized representative, and shall be filed not later than
32 120 days after such alteration has been agreed to or finally
33 determined for federal income tax purposes or any federal
34 income tax deficiency or refund, tentative carryback

1 adjustment, abatement or credit resulting therefrom has been
2 assessed or paid, whichever shall first occur.

3 (Source: P.A. 90-491, eff. 1-1-98.)

4 (35 ILCS 5/701) (from Ch. 120, par. 7-701)

5 Sec. 701. Requirement and Amount of Withholding.

6 (a) In General. Every employer maintaining an office or
7 transacting business within this State and required under the
8 provisions of the Internal Revenue Code to withhold a tax on:

9 (1) compensation paid in this State (as determined
10 under Section 304 (a) (2) (B) to an individual; or

11 (2) payments described in subsection (b) shall
12 deduct and withhold from such compensation for each
13 payroll period (as defined in Section 3401 of the
14 Internal Revenue Code) an amount equal to the amount by
15 which such individual's compensation exceeds the
16 proportionate part of this withholding exemption
17 (computed as provided in Section 702) attributable to the
18 payroll period for which such compensation is payable
19 multiplied by a percentage equal to the percentage tax
20 rate for individuals provided in subsection (b) of
21 Section 201.

22 (b) Payment to Residents.

23 Any payment (including compensation) to a resident by a
24 payor maintaining an office or transacting business within
25 this State (including any agency, officer, or employee of
26 this State or of any political subdivision of this State) and
27 on which withholding of tax is required under the provisions
28 of the Internal Revenue Code shall be deemed to be
29 compensation paid in this State by an employer to an employee
30 for the purposes of Article 7 and Section 601 (b) (1) to the
31 extent such payment is included in the recipient's base
32 income and not subjected to withholding by another state.

33 (c) Special Definitions.

1 Withholding shall be considered required under the
2 provisions of the Internal Revenue Code to the extent the
3 Internal Revenue Code either requires withholding or allows
4 for voluntary withholding the payor and recipient have
5 entered into such a voluntary withholding agreement. For the
6 purposes of Article 7 and Section 1002 (c) the term
7 "employer" includes any payor who is required to withhold tax
8 pursuant to this Section.

9 (d) Reciprocal Exemption.

10 The Director may enter into an agreement with the taxing
11 authorities of any state which imposes a tax on or measured
12 by income to provide that compensation paid in such state to
13 residents of this State shall be exempt from withholding of
14 such tax; in such case, any compensation paid in this State
15 to residents of such state shall be exempt from withholding.
16 All reciprocal agreements shall be subject to the
17 requirements of Section 2505-575 of the Department of Revenue
18 Law (20 ILCS 2505/2505-575).

19 (e) Notwithstanding subsection (a) (2) of this Section,
20 no withholding is required on payments for which withholding
21 is required under Section 3405 or 3406 of the Internal
22 Revenue Code of 1954.

23 (Source: P.A. 90-491, eff. 1-1-98; 91-239, eff. 1-1-00.)

24 (35 ILCS 5/710) (from Ch. 120, par. 7-710)

25 Sec. 710. Withholding from lottery, wagering, and
26 gambling winnings.

27 (a) In General.

28 (1) Any person making a payment to a resident or
29 nonresident of winnings under the Illinois Lottery Law
30 and not required to withhold Illinois income tax from
31 such payment under Subsection (b) of Section 701 of this
32 Act because those winnings are not subject to federal
33 income tax withholding, must withhold Illinois income tax

1 from such payment at a rate equal to the percentage tax
 2 rate for individuals provided in subsection (b) of
 3 Section 201, provided that withholding is not required if
 4 such payment of winnings is less than \$2,000 (\$1,000, for
 5 payments made before January 1, 2002).

6 (2) Any person making a payment after December 31,
 7 2001 to a resident or nonresident of winnings from
 8 pari-mutuel wagering conducted at a wagering facility
 9 licensed under the Illinois Horse Racing Act of 1975 or
 10 from gambling games conducted on a riverboat licensed
 11 under the Riverboat Gambling Act, and not required to
 12 withhold Illinois income tax from such payment under
 13 subsection (b) of Section 701 of this Act because those
 14 winnings are not subject to federal income tax
 15 withholding, must withhold Illinois income tax from such
 16 payment at a rate equal to the percentage tax rate for
 17 individuals provided in subsection (b) of Section 201,
 18 provided that withholding is not required if such payment
 19 of winnings is less than \$2,000.

20 (b) Credit for taxes withheld. Any amount withheld
 21 under Subsection (a) shall be a credit against the Illinois
 22 income tax liability of the person to whom the payment of
 23 winnings was made for the taxable year in which that person
 24 incurred an Illinois income tax liability with respect to
 25 those winnings.

26 (Source: P.A. 85-731.)

27 (35 ILCS 5/905) (from Ch. 120, par. 9-905)

28 Sec. 905. Limitations on Notices of Deficiency.

29 (a) In general. Except as otherwise provided in this
 30 Act:

31 (1) A notice of deficiency shall be issued not
 32 later than 3 years after the date the return was filed,
 33 and

1 (2) No deficiency shall be assessed or collected
2 with respect to the year for which the return was filed
3 unless such notice is issued within such period.

4 (b) Omission of more than 25% of income. If the taxpayer
5 omits from base income an amount properly includible therein
6 which is in excess of 25% of the amount of base income stated
7 in the return, a notice of deficiency may be issued not later
8 than 6 years after the return was filed. For purposes of this
9 paragraph, there shall not be taken into account any amount
10 which is omitted in the return if such amount is disclosed in
11 the return, or in a statement attached to the return, in a
12 manner adequate to apprise the Department of the nature and
13 the amount of such item.

14 (c) No return or fraudulent return. If no return is
15 filed or a false and fraudulent return is filed with intent
16 to evade the tax imposed by this Act, a notice of deficiency
17 may be issued at any time.

18 (d) Failure to report federal change. If a taxpayer
19 fails to notify the Department in any case where notification
20 is required by Section 304(c) or 506(b), or fails to report a
21 change or correction which is treated in the same manner as
22 if it were a deficiency for federal income tax purposes, a
23 notice of deficiency may be issued (i) at any time or (ii) on
24 or after August 13, 1999 ~~the--effective--date--of---this~~
25 ~~amendatory--Act-of-the-91st-General-Assembly,~~ at any time for
26 the taxable year for which the notification is required or
27 for any taxable year to which the taxpayer may carry an
28 Article 2 credit, or a Section 207 loss, earned, incurred, or
29 used in the year for which the notification is required;
30 provided, however, that the amount of any proposed assessment
31 set forth in the notice shall be limited to the amount of any
32 deficiency resulting under this Act from the recomputation of
33 the taxpayer's net income, Article 2 credits, or Section 207
34 loss earned, incurred, or used in the taxable year for which

1 the notification is required after giving effect to the item
2 or items required to be reported.

3 (e) Report of federal change.

4 (1) Before August 13, 1999 ~~the--effective--date--of~~
5 ~~this--amendatory-Act-of-the-91st-General-Assembly,~~ in any
6 case where notification of an alteration is given as
7 required by Section 506(b), a notice of deficiency may be
8 issued at any time within 2 years after the date such
9 notification is given, provided, however, that the amount
10 of any proposed assessment set forth in such notice shall
11 be limited to the amount of any deficiency resulting
12 under this Act from recomputation of the taxpayer's net
13 income, net loss, or Article 2 credits for the taxable
14 year after giving effect to the item or items reflected
15 in the reported alteration.

16 (2) On and after August 13, 1999 ~~the-effective-date~~
17 ~~of-this-amendatory-Act-of-the-91st-General--Assembly,~~ in
18 any case where notification of an alteration is given as
19 required by Section 506(b), a notice of deficiency may be
20 issued at any time within 2 years after the date such
21 notification is given for the taxable year for which the
22 notification is given or for any taxable year to which
23 the taxpayer may carry an Article 2 credit, or a Section
24 207 loss, earned, incurred, or used in the year for which
25 the notification is given, provided, however, that the
26 amount of any proposed assessment set forth in such
27 notice shall be limited to the amount of any deficiency
28 resulting under this Act from recomputation of the
29 taxpayer's net income, Article 2 credits, or Section 207
30 loss earned, incurred, or used in the taxable year for
31 which the notification is given after giving effect to
32 the item or items reflected in the reported alteration.

33 (f) Extension by agreement. Where, before the expiration
34 of the time prescribed in this section for the issuance of a

1 notice of deficiency, both the Department and the taxpayer
2 shall have consented in writing to its issuance after such
3 time, such notice may be issued at any time prior to the
4 expiration of the period agreed upon. In the case of a
5 taxpayer who is a partnership, Subchapter S corporation, or
6 trust and who enters into an agreement with the Department
7 pursuant to this subsection on or after January 1, 2002, a
8 notice of deficiency may be issued to the partners,
9 shareholders, or beneficiaries of the taxpayer at any time
10 prior to the expiration of the period agreed upon. Any
11 proposed assessment set forth in the notice, however, shall
12 be limited to the amount of any deficiency resulting under
13 this Act from recomputation of items of income, deduction,
14 credits, or other amounts of the taxpayer that are taken into
15 account by the partner, shareholder, or beneficiary in
16 computing its liability under this Act. The period so agreed
17 upon may be extended by subsequent agreements in writing made
18 before the expiration of the period previously agreed upon.

19 (g) Erroneous refunds. In any case in which there has
20 been an erroneous refund of tax payable under this Act, a
21 notice of deficiency may be issued at any time within 2 years
22 from the making of such refund, or within 5 years from the
23 making of such refund if it appears that any part of the
24 refund was induced by fraud or the misrepresentation of a
25 material fact, provided, however, that the amount of any
26 proposed assessment set forth in such notice shall be limited
27 to the amount of such erroneous refund.

28 Beginning July 1, 1993, in any case in which there has
29 been a refund of tax payable under this Act attributable to a
30 net loss carryback as provided for in Section 207, and that
31 refund is subsequently determined to be an erroneous refund
32 due to a reduction in the amount of the net loss which was
33 originally carried back, a notice of deficiency for the
34 erroneous refund amount may be issued at any time during the

1 same time period in which a notice of deficiency can be
2 issued on the loss year creating the carryback amount and
3 subsequent erroneous refund. The amount of any proposed
4 assessment set forth in the notice shall be limited to the
5 amount of such erroneous refund.

6 (h) Time return deemed filed. For purposes of this
7 Section a tax return filed before the last day prescribed by
8 law (including any extension thereof) shall be deemed to have
9 been filed on such last day.

10 (i) Request for prompt determination of liability. For
11 purposes of Subsection (a)(1), in the case of a tax return
12 required under this Act in respect of a decedent, or by his
13 estate during the period of administration, or by a
14 corporation, the period referred to in such Subsection shall
15 be 18 months after a written request for prompt determination
16 of liability is filed with the Department (at such time and
17 in such form and manner as the Department shall by
18 regulations prescribe) by the executor, administrator, or
19 other fiduciary representing the estate of such decedent, or
20 by such corporation, but not more than 3 years after the date
21 the return was filed. This Subsection shall not apply in the
22 case of a corporation unless:

23 (1) (A) Such written request notifies the
24 Department that the corporation contemplates dissolution
25 at or before the expiration of such 18-month period, (B)
26 the dissolution is begun in good faith before the
27 expiration of such 18-month period, and (C) the
28 dissolution is completed;

29 (2) (A) Such written request notifies the
30 Department that a dissolution has in good faith been
31 begun, and (B) the dissolution is completed; or

32 (3) A dissolution has been completed at the time
33 such written request is made.

34 (j) Withholding tax. In the case of returns required

1 under Article 7 of this Act (with respect to any amounts
2 withheld as tax or any amounts required to have been withheld
3 as tax) a notice of deficiency shall be issued not later than
4 3 years after the 15th day of the 4th month following the
5 close of the calendar year in which such withholding was
6 required.

7 (k) Penalties for failure to make information reports.
8 A notice of deficiency for the penalties provided by
9 Subsection 1405.1(c) of this Act may not be issued more than
10 3 years after the due date of the reports with respect to
11 which the penalties are asserted.

12 (l) Penalty for failure to file withholding returns. A
13 notice of deficiency for penalties provided by Section 1004
14 of this Act for taxpayer's failure to file withholding
15 returns may not be issued more than three years after the
16 15th day of the 4th month following the close of the calendar
17 year in which the withholding giving rise to taxpayer's
18 obligation to file those returns occurred.

19 (m) Transferee liability. A notice of deficiency may be
20 issued to a transferee relative to a liability asserted under
21 Section 1405 during time periods defined as follows:

22 1) Initial Transferee. In the case of the
23 liability of an initial transferee, up to 2 years after
24 the expiration of the period of limitation for assessment
25 against the transferor, except that if a court proceeding
26 for review of the assessment against the transferor has
27 begun, then up to 2 years after the return of the
28 certified copy of the judgment in the court proceeding.

29 2) Transferee of Transferee. In the case of the
30 liability of a transferee, up to 2 years after the
31 expiration of the period of limitation for assessment
32 against the preceding transferee, but not more than 3
33 years after the expiration of the period of limitation
34 for assessment against the initial transferor; except

1 that if, before the expiration of the period of
2 limitation for the assessment of the liability of the
3 transferee, a court proceeding for the collection of the
4 tax or liability in respect thereof has been begun
5 against the initial transferor or the last preceding
6 transferee, as the case may be, then the period of
7 limitation for assessment of the liability of the
8 transferee shall expire 2 years after the return of the
9 certified copy of the judgment in the court proceeding.

10 (n) Notice of decrease in net loss. On and after the
11 effective date of this amendatory Act of the 92nd General
12 Assembly, no notice of deficiency shall be issued as the
13 result of a decrease determined by the Department in the net
14 loss incurred by a taxpayer under Section 207 of this Act
15 unless the Department has notified the taxpayer of the
16 proposed decrease within 3 years after the return reporting
17 the loss was filed or within one year after an amended return
18 reporting an increase in the loss was filed, provided that in
19 the case of an amended return, a decrease proposed by the
20 Department more than 3 years after the original return was
21 filed may not exceed the increase claimed by the taxpayer on
22 the original return.

23 (Source: P.A. 90-491, eff. 1-1-98; 91-541, eff. 8-13-99.)

24 (35 ILCS 5/911) (from Ch. 120, par. 9-911)

25 Sec. 911. Limitations on Claims for Refund.

26 (a) In general. Except as otherwise provided in this
27 Act:

28 (1) A claim for refund shall be filed not later
29 than 3 years after the date the return was filed (in the
30 case of returns required under Article 7 of this Act
31 respecting any amounts withheld as tax, not later than 3
32 years after the 15th day of the 4th month following the
33 close of the calendar year in which such withholding was

1 made), or one year after the date the tax was paid,
2 whichever is the later; and

3 (2) No credit or refund shall be allowed or made
4 with respect to the year for which the claim was filed
5 unless such claim is filed within such period.

6 (b) Federal changes.

7 (1) In general. In any case where notification of
8 an alteration is required by Section 506 (b), a claim for
9 refund may be filed within 2 years after the date on
10 which such notification was due (regardless of whether
11 such notice was given), but the amount recoverable
12 pursuant to a claim filed under this Section shall be
13 limited to the amount of any overpayment resulting under
14 this Act from recomputation of the taxpayer's net income,
15 net loss, or Article 2 credits for the taxable year after
16 giving effect to the item or items reflected in the
17 alteration required to be reported.

18 (2) Tentative carryback adjustments paid before
19 January 1, 1974. If, as the result of the payment before
20 January 1, 1974 of a federal tentative carryback
21 adjustment, a notification of an alteration is required
22 under Section 506 (b), a claim for refund may be filed at
23 any time before January 1, 1976, but the amount
24 recoverable pursuant to a claim filed under this Section
25 shall be limited to the amount of any overpayment
26 resulting under this Act from recomputation of the
27 taxpayer's base income for the taxable year after giving
28 effect to the federal alteration resulting from the
29 tentative carryback adjustment irrespective of any
30 limitation imposed in paragraph (1) of this subsection.

31 (c) Extension by agreement. Where, before the
32 expiration of the time prescribed in this section for the
33 filing of a claim for refund, both the Department and the
34 claimant shall have consented in writing to its filing after

1 such time, such claim may be filed at any time prior to the
2 expiration of the period agreed upon. The period so agreed
3 upon may be extended by subsequent agreements in writing made
4 before the expiration of the period previously agreed upon.
5 In the case of a taxpayer who is a partnership, Subchapter S
6 corporation, or trust and who enters into an agreement with
7 the Department pursuant to this subsection on or after
8 January 1, 2002, a claim for refund may be issued to the
9 partners, shareholders, or beneficiaries of the taxpayer at
10 any time prior to the expiration of the period agreed upon.
11 Any refund allowed pursuant to the claim, however, shall be
12 limited to the amount of any overpayment of tax due under
13 this Act that results from recomputation of items of income,
14 deduction, credits, or other amounts of the taxpayer that are
15 taken into account by the partner, shareholder, or
16 beneficiary in computing its liability under this Act.

17 (d) Limit on amount of credit or refund.

18 (1) Limit where claim filed within 3-year period.
19 If the claim was filed by the claimant during the 3-year
20 period prescribed in subsection (a), the amount of the
21 credit or refund shall not exceed the portion of the tax
22 paid within the period, immediately preceding the filing
23 of the claim, equal to 3 years plus the period of any
24 extension of time for filing the return.

25 (2) Limit where claim not filed within 3-year
26 period. If the claim was not filed within such 3-year
27 period, the amount of the credit or refund shall not
28 exceed the portion of the tax paid during the one year
29 immediately preceding the filing of the claim.

30 (e) Time return deemed filed. For purposes of this
31 section a tax return filed before the last day prescribed by
32 law for the filing of such return (including any extensions
33 thereof) shall be deemed to have been filed on such last day.

34 (f) No claim for refund based on the taxpayer's taking a

1 credit for estimated tax payments as provided by Section 601
2 (b) (2) or for any amount paid by a taxpayer pursuant to
3 Section 602(a) or for any amount of credit for tax withheld
4 pursuant to Section 701 may be filed more than 3 years after
5 the due date, as provided by Section 505, of the return which
6 was required to be filed relative to the taxable year for
7 which the payments were made or for which the tax was
8 withheld. The changes in this subsection (f) made by this
9 amendatory Act of 1987 shall apply to all taxable years
10 ending on or after December 31, 1969.

11 (g) Special Period of Limitation with Respect to Net
12 Loss Carrybacks. If the claim for refund relates to an
13 overpayment attributable to a net loss carryback as provided
14 by Section 207, in lieu of the 3 year period of limitation
15 prescribed in subsection (a), the period shall be that period
16 which ends 3 years after the time prescribed by law for
17 filing the return (including extensions thereof) for the
18 taxable year of the net loss which results in such carryback
19 (or, on and after August 13, 1999 ~~the effective date of this~~
20 ~~amendatory Act of the 91st General Assembly~~, with respect to
21 a change in the carryover of an Article 2 credit to a taxable
22 year resulting from the carryback of a Section 207 loss
23 incurred in a taxable year beginning on or after January 1,
24 2000, the period shall be that period that ends 3 years after
25 the time prescribed by law for filing the return (including
26 extensions of that time) for that subsequent taxable year),
27 or the period prescribed in subsection (c) in respect of such
28 taxable year, whichever expires later. In the case of such a
29 claim, the amount of the refund may exceed the portion of the
30 tax paid within the period provided in subsection (d) to the
31 extent of the amount of the overpayment attributable to such
32 carryback. On and after August 13, 1999 ~~the effective date of~~
33 ~~this amendatory Act of the 91st General Assembly~~, if the
34 claim for refund relates to an overpayment attributable to

1 the carryover of an Article 2 credit, or of a Section 207
2 loss, earned, incurred (in a taxable year beginning on or
3 after January 1, 2000), or used in a year for which a
4 notification of a change affecting federal taxable income
5 must be filed under subsection (b) of Section 506, the claim
6 may be filed within the period prescribed in paragraph (1) of
7 subsection (b) in respect of the year for which the
8 notification is required. In the case of such a claim, the
9 amount of the refund may exceed the portion of the tax paid
10 within the period provided in subsection (d) to the extent of
11 the amount of the overpayment attributable to the
12 recomputation of the taxpayer's Article 2 credits, or Section
13 207 loss, earned, incurred, or used in the taxable year for
14 which the notification is given.

15 (h) Claim for refund based on net loss. On and after
16 the effective date of this amendatory Act of the 92nd General
17 Assembly, no claim for refund shall be allowed to the extent
18 the refund is the result of an amount of net loss incurred
19 under Section 207 of this Act that was not reported to the
20 Department within 3 years of the due date (including
21 extensions) of the return for the loss year on either the
22 original return filed by the taxpayer or on amended return.

23 (Source: P.A. 90-491, eff. 1-1-98; 91-541, eff. 8-13-99.)

24 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

25 Sec. 1501. Definitions.

26 (a) In general. When used in this Act, where not
27 otherwise distinctly expressed or manifestly incompatible
28 with the intent thereof:

29 (1) Business income. The term "business income"
30 means income arising from transactions and activity in
31 the regular course of the taxpayer's trade or business,
32 net of the deductions allocable thereto, and includes
33 income from tangible and intangible property if the

1 acquisition, management, and disposition of the property
2 constitute integral parts of the taxpayer's regular trade
3 or business operations. Such term does not include
4 compensation or the deductions allocable thereto. For
5 each taxable year beginning on or after January 1, 2002,
6 a taxpayer may elect to treat all income other than
7 compensation as business income. This election shall be
8 made in accordance with rules adopted by the Department
9 and, once made, shall be irrevocable.

10 (2) Commercial domicile. The term "commercial
11 domicile" means the principal place from which the trade
12 or business of the taxpayer is directed or managed.

13 (3) Compensation. The term "compensation" means
14 wages, salaries, commissions and any other form of
15 remuneration paid to employees for personal services.

16 (4) Corporation. The term "corporation" includes
17 associations, joint-stock companies, insurance companies
18 and cooperatives. Any entity, including a limited
19 liability company formed under the Illinois Limited
20 Liability Company Act, shall be treated as a corporation
21 if it is so classified for federal income tax purposes.

22 (5) Department. The term "Department" means the
23 Department of Revenue of this State.

24 (6) Director. The term "Director" means the
25 Director of Revenue of this State.

26 (7) Fiduciary. The term "fiduciary" means a
27 guardian, trustee, executor, administrator, receiver, or
28 any person acting in any fiduciary capacity for any
29 person.

30 (8) Financial organization.

31 (A) The term "financial organization" means
32 any bank, bank holding company, trust company,
33 savings bank, industrial bank, land bank, safe
34 deposit company, private banker, savings and loan

1 association, building and loan association, credit
2 union, currency exchange, cooperative bank, small
3 loan company, sales finance company, investment
4 company, or any person which is owned by a bank or
5 bank holding company. For the purpose of this
6 Section a "person" will include only those persons
7 which a bank holding company may acquire and hold an
8 interest in, directly or indirectly, under the
9 provisions of the Bank Holding Company Act of 1956
10 (12 U.S.C. 1841, et seq.), except where interests in
11 any person must be disposed of within certain
12 required time limits under the Bank Holding Company
13 Act of 1956.

14 (B) For purposes of subparagraph (A) of this
15 paragraph, the term "bank" includes (i) any entity
16 that is regulated by the Comptroller of the Currency
17 under the National Bank Act, or by the Federal
18 Reserve Board, or by the Federal Deposit Insurance
19 Corporation and (ii) any federally or State
20 chartered bank operating as a credit card bank.

21 (C) For purposes of subparagraph (A) of this
22 paragraph, the term "sales finance company" has the
23 meaning provided in the following item (i) or (ii):

24 (i) A person primarily engaged in one or
25 more of the following businesses: the business
26 of purchasing customer receivables, the
27 business of making loans upon the security of
28 customer receivables, the business of making
29 loans for the express purpose of funding
30 purchases of tangible personal property or
31 services by the borrower, or the business of
32 finance leasing. For purposes of this item
33 (i), "customer receivable" means:

34 (a) a retail installment contract or

1 retail charge agreement within the meaning of
2 the Sales Finance Agency Act, the Retail
3 Installment Sales Act, or the Motor Vehicle
4 Retail Installment Sales Act;

5 (b) an installment, charge, credit, or
6 similar contract or agreement arising from the
7 sale of tangible personal property or services
8 in a transaction involving a deferred payment
9 price payable in one or more installments
10 subsequent to the sale; or

11 (c) the outstanding balance of a contract
12 or agreement described in provisions (a) or (b)
13 of this item (i).

14 A customer receivable need not provide for
15 payment of interest on deferred payments. A sales
16 finance company may purchase a customer receivable
17 from, or make a loan secured by a customer
18 receivable to, the seller in the original
19 transaction or to a person who purchased the
20 customer receivable directly or indirectly from that
21 seller.

22 (ii) A corporation meeting each of the
23 following criteria:

24 (a) the corporation must be a member of
25 an "affiliated group" within the meaning of
26 Section 1504(a) of the Internal Revenue Code,
27 determined without regard to Section 1504(b) of
28 the Internal Revenue Code;

29 (b) more than 50% of the gross income of
30 the corporation for the taxable year must be
31 interest income derived from qualifying loans.
32 A "qualifying loan" is a loan made to a member
33 of the corporation's affiliated group that
34 originates customer receivables (within the

1 meaning of item (i)) or to whom customer
2 receivables originated by a member of the
3 affiliated group have been transferred, to the
4 extent the average outstanding balance of loans
5 from that corporation to members of its
6 affiliated group during the taxable year do not
7 exceed the limitation amount for that
8 corporation. The "limitation amount" for a
9 corporation is the average outstanding balances
10 during the taxable year of customer receivables
11 (within the meaning of item (i)) originated by
12 all members of the affiliated group. If the
13 average outstanding balances of the loans made
14 by a corporation to members of its affiliated
15 group exceed the limitation amount, the
16 interest income of that corporation from
17 qualifying loans shall be equal to its interest
18 income from loans to members of its affiliated
19 groups times a fraction equal to the limitation
20 amount divided by the average outstanding
21 balances of the loans made by that corporation
22 to members of its affiliated group;

23 (c) the total of all shareholder's equity
24 (including, without limitation, paid-in capital
25 on common and preferred stock and retained
26 earnings) of the corporation plus the total of
27 all of its loans, advances, and other
28 obligations payable or owed to members of its
29 affiliated group may not exceed 20% of the
30 total assets of the corporation at any time
31 during the tax year; and

32 (d) more than 50% of all interest-bearing
33 obligations of the affiliated group payable to
34 persons outside the group determined in

1 accordance with generally accepted accounting
2 principles must be obligations of the
3 corporation.

4 This amendatory Act of the 91st General Assembly is
5 declaratory of existing law.

6 (D) Subparagraphs (B) and (C) of this
7 paragraph are declaratory of existing law and apply
8 retroactively, for all tax years beginning on or
9 before December 31, 1996, to all original returns,
10 to all amended returns filed no later than 30 days
11 after the effective date of this amendatory Act of
12 1996, and to all notices issued on or before the
13 effective date of this amendatory Act of 1996 under
14 subsection (a) of Section 903, subsection (a) of
15 Section 904, subsection (e) of Section 909, or
16 Section 912. A taxpayer that is a "financial
17 organization" that engages in any transaction with
18 an affiliate shall be a "financial organization" for
19 all purposes of this Act.

20 (E) For all tax years beginning on or before
21 December 31, 1996, a taxpayer that falls within the
22 definition of a "financial organization" under
23 subparagraphs (B) or (C) of this paragraph, but who
24 does not fall within the definition of a "financial
25 organization" under the Proposed Regulations issued
26 by the Department of Revenue on July 19, 1996, may
27 irrevocably elect to apply the Proposed Regulations
28 for all of those years as though the Proposed
29 Regulations had been lawfully promulgated, adopted,
30 and in effect for all of those years. For purposes
31 of applying subparagraphs (B) or (C) of this
32 paragraph to all of those years, the election
33 allowed by this subparagraph applies only to the
34 taxpayer making the election and to those members of

1 the taxpayer's unitary business group who are
2 ordinarily required to apportion business income
3 under the same subsection of Section 304 of this Act
4 as the taxpayer making the election. No election
5 allowed by this subparagraph shall be made under a
6 claim filed under subsection (d) of Section 909 more
7 than 30 days after the effective date of this
8 amendatory Act of 1996.

9 (F) Finance Leases. For purposes of this
10 subsection, a finance lease shall be treated as a
11 loan or other extension of credit, rather than as a
12 lease, regardless of how the transaction is
13 characterized for any other purpose, including the
14 purposes of any regulatory agency to which the
15 lessor is subject. A finance lease is any
16 transaction in the form of a lease in which the
17 lessee is treated as the owner of the leased asset
18 entitled to any deduction for depreciation allowed
19 under Section 167 of the Internal Revenue Code.

20 (9) Fiscal year. The term "fiscal year" means an
21 accounting period of 12 months ending on the last day of
22 any month other than December.

23 (10) Includes and including. The terms "includes"
24 and "including" when used in a definition contained in
25 this Act shall not be deemed to exclude other things
26 otherwise within the meaning of the term defined.

27 (11) Internal Revenue Code. The term "Internal
28 Revenue Code" means the United States Internal Revenue
29 Code of 1954 or any successor law or laws relating to
30 federal income taxes in effect for the taxable year.

31 (12) Mathematical error. The term "mathematical
32 error" includes the following types of errors, omissions,
33 or defects in a return filed by a taxpayer which prevents
34 acceptance of the return as filed for processing:

1 (A) arithmetic errors or incorrect
2 computations on the return or supporting schedules;

3 (B) entries on the wrong lines;

4 (C) omission of required supporting forms or
5 schedules or the omission of the information in
6 whole or in part called for thereon; and

7 (D) an attempt to claim, exclude, deduct, or
8 improperly report, in a manner directly contrary to
9 the provisions of the Act and regulations thereunder
10 any item of income, exemption, deduction, or credit.

11 (13) Nonbusiness income. The term "nonbusiness
12 income" means all income other than business income or
13 compensation.

14 (14) Nonresident. The term "nonresident" means a
15 person who is not a resident.

16 (15) Paid, incurred and accrued. The terms "paid",
17 "incurred" and "accrued" shall be construed according to
18 the method of accounting upon the basis of which the
19 person's base income is computed under this Act.

20 (16) Partnership and partner. The term
21 "partnership" includes a syndicate, group, pool, joint
22 venture or other unincorporated organization, through or
23 by means of which any business, financial operation, or
24 venture is carried on, and which is not, within the
25 meaning of this Act, a trust or estate or a corporation;
26 and the term "partner" includes a member in such
27 syndicate, group, pool, joint venture or organization.

28 The term "partnership" includes any entity,
29 including a limited liability company formed under the
30 Illinois Limited Liability Company Act, classified as a
31 partnership for federal income tax purposes.

32 The term "partnership" does not include a syndicate,
33 group, pool, joint venture, or other unincorporated
34 organization established for the sole purpose of playing

1 the Illinois State Lottery.

2 (17) Part-year resident. The term "part-year
3 resident" means an individual who became a resident
4 during the taxable year or ceased to be a resident during
5 the taxable year. Under Section 1501 (a) (20) (A) (i)
6 residence commences with presence in this State for other
7 than a temporary or transitory purpose and ceases with
8 absence from this State for other than a temporary or
9 transitory purpose. Under Section 1501 (a) (20) (A) (ii)
10 residence commences with the establishment of domicile in
11 this State and ceases with the establishment of domicile
12 in another State.

13 (18) Person. The term "person" shall be construed
14 to mean and include an individual, a trust, estate,
15 partnership, association, firm, company, corporation,
16 limited liability company, or fiduciary. For purposes of
17 Section 1301 and 1302 of this Act, a "person" means (i)
18 an individual, (ii) a corporation, (iii) an officer,
19 agent, or employee of a corporation, (iv) a member, agent
20 or employee of a partnership, or (v) a member, manager,
21 employee, officer, director, or agent of a limited
22 liability company who in such capacity commits an offense
23 specified in Section 1301 and 1302.

24 (18A) Records. The term "records" includes all
25 data maintained by the taxpayer, whether on paper,
26 microfilm, microfiche, or any type of machine-sensible
27 data compilation.

28 (19) Regulations. The term "regulations" includes
29 rules promulgated and forms prescribed by the Department.

30 (20) Resident. The term "resident" means:

31 (A) an individual (i) who is in this State for
32 other than a temporary or transitory purpose during
33 the taxable year; or (ii) who is domiciled in this
34 State but is absent from the State for a temporary

1 or transitory purpose during the taxable year;

2 (B) The estate of a decedent who at his or her
3 death was domiciled in this State;

4 (C) A trust created by a will of a decedent
5 who at his death was domiciled in this State; and

6 (D) An irrevocable trust, the grantor of which
7 was domiciled in this State at the time such trust
8 became irrevocable. For purpose of this
9 subparagraph, a trust shall be considered
10 irrevocable to the extent that the grantor is not
11 treated as the owner thereof under Sections 671
12 through 678 of the Internal Revenue Code.

13 (21) Sales. The term "sales" means all gross
14 receipts of the taxpayer not allocated under Sections
15 301, 302 and 303.

16 (22) State. The term "state" when applied to a
17 jurisdiction other than this State means any state of the
18 United States, the District of Columbia, the Commonwealth
19 of Puerto Rico, any Territory or Possession of the United
20 States, and any foreign country, or any political
21 subdivision of any of the foregoing. For purposes of the
22 foreign tax credit under Section 601, the term "state"
23 means any state of the United States, the District of
24 Columbia, the Commonwealth of Puerto Rico, and any
25 territory or possession of the United States, or any
26 political subdivision of any of the foregoing, effective
27 for tax years ending on or after December 31, 1989.

28 (23) Taxable year. The term "taxable year" means
29 the calendar year, or the fiscal year ending during such
30 calendar year, upon the basis of which the base income is
31 computed under this Act. "Taxable year" means, in the
32 case of a return made for a fractional part of a year
33 under the provisions of this Act, the period for which
34 such return is made.

1 (24) Taxpayer. The term "taxpayer" means any person
2 subject to the tax imposed by this Act.

3 (25) International banking facility. The term
4 international banking facility shall have the same
5 meaning as is set forth in the Illinois Banking Act or as
6 is set forth in the laws of the United States or
7 regulations of the Board of Governors of the Federal
8 Reserve System.

9 (26) Income Tax Return Preparer.

10 (A) The term "income tax return preparer"
11 means any person who prepares for compensation, or
12 who employs one or more persons to prepare for
13 compensation, any return of tax imposed by this Act
14 or any claim for refund of tax imposed by this Act.
15 The preparation of a substantial portion of a return
16 or claim for refund shall be treated as the
17 preparation of that return or claim for refund.

18 (B) A person is not an income tax return
19 preparer if all he or she does is

20 (i) furnish typing, reproducing, or other
21 mechanical assistance;

22 (ii) prepare returns or claims for
23 refunds for the employer by whom he or she is
24 regularly and continuously employed;

25 (iii) prepare as a fiduciary returns or
26 claims for refunds for any person; or

27 (iv) prepare claims for refunds for a
28 taxpayer in response to any notice of
29 deficiency issued to that taxpayer or in
30 response to any waiver of restriction after the
31 commencement of an audit of that taxpayer or of
32 another taxpayer if a determination in the
33 audit of the other taxpayer directly or
34 indirectly affects the tax liability of the

1 taxpayer whose claims he or she is preparing.

2 (27) Unitary business group. The term "unitary
3 business group" means a group of persons related through
4 common ownership whose business activities are integrated
5 with, dependent upon and contribute to each other. The
6 group will not include those members whose business
7 activity outside the United States is 80% or more of any
8 such member's total business activity; for purposes of
9 this paragraph and clause (a) (3) (B) (ii) of Section
10 304, business activity within the United States shall be
11 measured by means of the factors ordinarily applicable
12 under subsections (a), (b), (c), (d), or (h) of Section
13 304 except that, in the case of members ordinarily
14 required to apportion business income by means of the 3
15 factor formula of property, payroll and sales specified
16 in subsection (a) of Section 304, including the formula
17 as weighted in subsection (h) of Section 304, such
18 members shall not use the sales factor in the computation
19 and the results of the property and payroll factor
20 computations of subsection (a) of Section 304 shall be
21 divided by 2 (by one if either the property or payroll
22 factor has a denominator of zero). The computation
23 required by the preceding sentence shall, in each case,
24 involve the division of the member's property, payroll,
25 or revenue miles in the United States, insurance premiums
26 on property or risk in the United States, or financial
27 organization business income from sources within the
28 United States, as the case may be, by the respective
29 worldwide figures for such items. Common ownership in
30 the case of corporations is the direct or indirect
31 control or ownership of more than 50% of the outstanding
32 voting stock of the persons carrying on unitary business
33 activity. Unitary business activity can ordinarily be
34 illustrated where the activities of the members are: (1)

1 in the same general line (such as manufacturing,
2 wholesaling, retailing of tangible personal property,
3 insurance, transportation or finance); or (2) are steps
4 in a vertically structured enterprise or process (such as
5 the steps involved in the production of natural
6 resources, which might include exploration, mining,
7 refining, and marketing); and, in either instance, the
8 members are functionally integrated through the exercise
9 of strong centralized management (where, for example,
10 authority over such matters as purchasing, financing, tax
11 compliance, product line, personnel, marketing and
12 capital investment is not left to each member). In no
13 event, however, will any unitary business group include
14 members which are ordinarily required to apportion
15 business income under different subsections of Section
16 304 except that for tax years ending on or after December
17 31, 1987 this prohibition shall not apply to a unitary
18 business group composed of one or more taxpayers all of
19 which apportion business income pursuant to subsection
20 (b) of Section 304, or all of which apportion business
21 income pursuant to subsection (d) of Section 304, and a
22 holding company of such single-factor taxpayers (see
23 definition of "financial organization" for rule regarding
24 holding companies of financial organizations). If a
25 unitary business group would, but for the preceding
26 sentence, include members that are ordinarily required to
27 apportion business income under different subsections of
28 Section 304, then for each subsection of Section 304 for
29 which there are two or more members, there shall be a
30 separate unitary business group composed of such members.
31 For purposes of the preceding two sentences, a member is
32 "ordinarily required to apportion business income" under
33 a particular subsection of Section 304 if it would be
34 required to use the apportionment method prescribed by

1 such subsection except for the fact that it derives
2 business income solely from Illinois. If the unitary
3 business group members' accounting periods differ, the
4 common parent's accounting period or, if there is no
5 common parent, the accounting period of the member that
6 is expected to have, on a recurring basis, the greatest
7 Illinois income tax liability must be used to determine
8 whether to use the apportionment method provided in
9 subsection (a) or subsection (h) of Section 304. The
10 prohibition against membership in a unitary business
11 group for taxpayers ordinarily required to apportion
12 income under different subsections of Section 304 does
13 not apply to taxpayers required to apportion income under
14 subsection (a) and subsection (h) of Section 304. The
15 provisions of this amendatory Act of 1998 apply to tax
16 years ending on or after December 31, 1998.

17 (28) Subchapter S corporation. The term
18 "Subchapter S corporation" means a corporation for which
19 there is in effect an election under Section 1362 of the
20 Internal Revenue Code, or for which there is a federal
21 election to opt out of the provisions of the Subchapter S
22 Revision Act of 1982 and have applied instead the prior
23 federal Subchapter S rules as in effect on July 1, 1982.

24 (b) Other definitions.

25 (1) Words denoting number, gender, and so forth,
26 when used in this Act, where not otherwise distinctly
27 expressed or manifestly incompatible with the intent
28 thereof:

29 (A) Words importing the singular include and
30 apply to several persons, parties or things;

31 (B) Words importing the plural include the
32 singular; and

33 (C) Words importing the masculine gender
34 include the feminine as well.

1 (2) "Company" or "association" as including
2 successors and assigns. The word "company" or
3 "association", when used in reference to a corporation,
4 shall be deemed to embrace the words "successors and
5 assigns of such company or association", and in like
6 manner as if these last-named words, or words of similar
7 import, were expressed.

8 (3) Other terms. Any term used in any Section of
9 this Act with respect to the application of, or in
10 connection with, the provisions of any other Section of
11 this Act shall have the same meaning as in such other
12 Section.

13 (Source: P.A. 90-613, eff. 7-9-98; 91-535, eff. 1-1-00;
14 91-913, eff. 1-1-01.)".