

1 AN ACT concerning taxes.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 adding Section 213 as follows:

6 (35 ILCS 5/213 new)

7 Sec. 213. Educational improvement tax credit.

8 (a) The General Assembly finds and declares that the
9 Constitution of the State of Illinois provides that a
10 "fundamental goal of the People of the State is the
11 educational development of all persons to the limits of their
12 capacities," and that the educational development of every
13 school student serves the public purposes of the State. In
14 order to enable Illinois students to develop "to the limits
15 of their capacities," all students must have access to
16 expanded educational opportunities. To implement this policy,
17 the General Assembly enacts this amendatory Act of the 92nd
18 General Assembly, the provisions of which are in the public
19 interest, for the public benefit, and serve a secular
20 purpose.

21 (b) An educational improvement tax credit program is
22 hereby established to enhance the educational opportunities
23 available to all students in this State.

24 (1) Beginning with tax years ending after December
25 31, 2002, a taxpayer that is a business firm, as defined
26 in subsection (c), is entitled to a credit against the
27 tax imposed by subsections (a) and (b) of Section 201 of
28 this Act, or any other Illinois tax that offsets taxes
29 due under subsections (a) and (b) of Section 201 of this
30 Act, for contributions to a qualified student assistance
31 organization in the taxable year in which the

1 contribution is made. The credit shall not exceed 75% of
2 each dollar contributed during the taxable year by the
3 business firm. Notwithstanding the preceding sentence,
4 the business firm is entitled to a tax credit not to
5 exceed 90% of each dollar contributed if it provides a
6 written commitment to make the same amount of
7 contribution to the student assistance organization for 2
8 consecutive tax years. In no case shall the credit exceed
9 \$100,000 annually per business firm.

10 (2) The credit allowed by this Section is in lieu
11 of any deduction pursuant to Section 170 of the Internal
12 Revenue Code of 1986, including any similar provision of
13 a later compilation, and taken for State tax purposes.

14 (c) For purposes of this Section:

15 "Business firm" means an entity authorized to do business
16 in this State and subject to taxes imposed under this Act.

17 "Contribution" means a donation of cash.

18 "Qualified student assistance organization" means a
19 nonprofit entity that:

20 (1) Is exempt from federal taxation under Section
21 501(c)(3) of the Internal Revenue Code of 1986 and any
22 similar provision of a later compilation; and

23 (2) Contributes at least 80% of its annual
24 receipts, as defined in rules promulgated by the
25 Department, either to scholarships for qualifying
26 students at a school or to enhance educational options
27 for qualifying students by providing qualifying students
28 access to secular, neutral, non-ideological programs or
29 activities outside the curriculum or academic program of
30 a school, as long as the program or activities meet the
31 requirements set forth in rules promulgated by the
32 Department in consultation with the Illinois State Board
33 of Education.

34 "Qualifying student" means an individuals who:

1 (1) Is a resident of the State of Illinois;

2 (2) Is under the age of 21 during the calendar year
3 for which a credit is sought;

4 (3) During the calendar year for which a credit is
5 sought is a full-time pupil enrolled in a kindergarten
6 through twelfth grade education program at any school, as
7 defined in this subsection (c); and

8 (4) Is a member of a household with an annual
9 household income of not more than \$50,000, provided that
10 if there is more than one dependent member of the
11 household under the age of 21 counting the qualifying
12 student, then this annual income requirement shall be
13 increased by \$10,000 for each dependent member of the
14 household under the age of 21 in excess of the one
15 qualifying student. Household income means all moneys or
16 property received by the members of a household of
17 whatever nature and from whatever source derived, except
18 for payments to reimburse actual expenses.

19 "School" means any public or nonpublic elementary or
20 secondary school in Illinois that is in compliance with Title
21 VI of the Civil Rights Act of 1964 and attendance at which
22 satisfies the requirements of Section 26-1 of the School
23 Code.

24 (d) No tax credit established by this Section is allowed
25 if the taxpayer designates a contribution to a student
26 assistance organization for the direct benefit of any
27 particular qualifying student.

28 (e) A tax credit granted under this Section that is not
29 used in the taxable year in which the contribution was made
30 may not be carried forward or carried back and is not
31 refundable or transferable.

32 (f) A business firm must apply to the Department and
33 receive approval for a tax credit under this Section prior to
34 making a contribution to a student assistance organization.

1 The Department shall approve applications in the order
2 received until the total aggregate amount of all approved tax
3 credits equals \$50,000,000 in a State fiscal year.

4 (g) The total aggregate amount of all approved tax
5 credits shall not exceed \$50,000,000 in a State fiscal year.

6 (h) The Department shall adopt rules consistent with
7 this Section for the administration of the educational
8 improvement tax credit program.

9 (i) A scholarship received by a qualifying student shall
10 not be considered to be taxable income.

11 (j) This Section is exempt from the provisions of
12 Section 250.

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.