

1 AN ACT concerning finance.

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

4 Section 5. The State Treasurer Act is amended by  
5 changing Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may  
8 establish and administer a College Savings Pool to supplement  
9 and enhance the investment opportunities otherwise available  
10 to persons seeking to finance the costs of higher education.  
11 The State Treasurer, in administering the College Savings  
12 Pool, may receive moneys paid into the pool by a participant  
13 and may serve as the fiscal agent of that participant for the  
14 purpose of holding and investing those moneys.

15 "Participant", as used in this Section, means any person  
16 who ~~that~~ makes investments in the pool. "Designated  
17 beneficiary", as used in this Section, means any person on  
18 whose behalf an account is established in the College Savings  
19 Pool by a participant. Both in-state and out-of-state persons  
20 may be participants and designated beneficiaries in the  
21 College Savings Pool.

22 New accounts in the College Savings Pool shall be  
23 processed through participating financial institutions.  
24 "Participating financial institution", as used in this  
25 Section, means any financial institution insured by the  
26 Federal Deposit Insurance Corporation and lawfully doing  
27 business in the State of Illinois and any credit union  
28 approved by the State Treasurer and lawfully doing business  
29 in the State of Illinois that agrees to process new accounts  
30 in the College Savings Pool. Participating financial  
31 institutions may charge a processing fee to participants to

1 open an account in the pool that shall not exceed \$30 until  
2 the year 2001. Beginning in 2001 and every year thereafter,  
3 the maximum fee limit shall be adjusted by the Treasurer  
4 based on the Consumer Price Index for the North Central  
5 Region as published by the United States Department of Labor,  
6 Bureau of Labor Statistics for the immediately preceding  
7 calendar year. Every contribution received by a financial  
8 institution for investment in the College Savings Pool shall  
9 be transferred from the financial institution to a location  
10 selected by the State Treasurer within one business day  
11 following the day that the funds must be made available in  
12 accordance with federal law. All communications from the  
13 State Treasurer to participants shall reference the  
14 participating financial institution at which the account was  
15 processed.

16 The Treasurer may invest the moneys in the College  
17 Savings Pool in the same manner, in the same types of  
18 investments, and subject to the same limitations provided for  
19 the investment of moneys by the Illinois State Board of  
20 Investment. To enhance the safety and liquidity of the  
21 College Savings Pool, to ensure the diversification of the  
22 investment portfolio of the pool, and in an effort to keep  
23 investment dollars in the State of Illinois, the State  
24 Treasurer shall make a percentage of each account available  
25 for investment in participating financial institutions doing  
26 business in the State. The State Treasurer shall deposit  
27 with the participating financial institution at which the  
28 account was processed the following percentage of each  
29 account at a prevailing rate offered by the institution,  
30 provided that the deposit is federally insured or fully  
31 collateralized and the institution accepts the deposit: 10%  
32 of the total amount of each account for which the current age  
33 of the beneficiary is less than 7 years of age, 20% of the  
34 total amount of each account for which the beneficiary is at

1 least 7 years of age and less than 12 years of age, and 50%  
2 of the total amount of each account for which the current age  
3 of the beneficiary is at least 12 years of age. The State  
4 Treasurer shall adjust each account at least annually to  
5 ensure compliance with this Section. The Treasurer shall  
6 develop, publish, and implement an investment policy covering  
7 the investment of the moneys in the College Savings Pool. The  
8 policy shall be published (i) at least once each year in at  
9 least one newspaper of general circulation in both  
10 Springfield and Chicago and (ii) each year as part of the  
11 audit of the College Savings Pool by the Auditor General,  
12 which shall be distributed to all participants. The Treasurer  
13 shall notify all participants in writing, and the Treasurer  
14 shall publish in a newspaper of general circulation in both  
15 Chicago and Springfield, any changes to the previously  
16 published investment policy at least 30 calendar days before  
17 implementing the policy. Any investment policy adopted by the  
18 Treasurer shall be reviewed and updated if necessary within  
19 90 days following the date that the State Treasurer takes  
20 office.

21 Participants shall be required to use moneys distributed  
22 from the College Savings Pool for qualified expenses at  
23 eligible educational institutions. "Qualified expenses", as  
24 used in this Section, means the following: (i) tuition, fees,  
25 and the costs of books, supplies, and equipment required for  
26 enrollment or attendance at an eligible educational  
27 institution and (ii) certain room and board expenses incurred  
28 while attending an eligible educational institution at least  
29 half-time. "Eligible educational institutions", as used in  
30 this Section, means public and private colleges, junior  
31 colleges, graduate schools, and certain vocational  
32 institutions that are described in Section 481 of the Higher  
33 Education Act of 1965 (20 U.S.C. 1088) and that are eligible  
34 to participate in Department of Education student aid

1 programs. A student shall be considered to be enrolled at  
2 least half-time if the student is enrolled for at least half  
3 the full-time academic work load for the course of study the  
4 student is pursuing as determined under the standards of the  
5 institution at which the student is enrolled. Distributions  
6 made from the pool for qualified expenses shall be made  
7 directly to the eligible educational institution, directly to  
8 a vendor, or in the form of a check payable to both the  
9 beneficiary and the institution or vendor. Any moneys that  
10 are distributed in any other manner or that are used for  
11 expenses other than qualified expenses at an eligible  
12 educational institution shall be subject to a penalty of 10%  
13 of the earnings unless the beneficiary dies, becomes  
14 disabled, or receives a scholarship that equals or exceeds  
15 the distribution. Penalties shall be withheld at the time the  
16 distribution is made.

17 The Treasurer shall limit the contributions that may be  
18 made on behalf of a designated beneficiary based on an  
19 actuarial estimate of what is required to pay tuition, fees,  
20 and room and board for 5 undergraduate years at the highest  
21 cost eligible educational institution. The contributions made  
22 on behalf of a beneficiary who is also a beneficiary under  
23 the Illinois Prepaid Tuition Program shall be further  
24 restricted to ensure that the contributions in both programs  
25 combined do not exceed the limit established for the College  
26 Savings Pool. The Treasurer shall provide the Illinois  
27 Student Assistance Commission each year at a time designated  
28 by the Commission, an electronic report of all participant  
29 accounts in the Treasurer's College Savings Pool, listing  
30 total contributions and disbursements from each individual  
31 account during the previous calendar year. As soon  
32 thereafter as is possible following receipt of the  
33 Treasurer's report, the Illinois Student Assistance  
34 Commission shall, in turn, provide the Treasurer with an

1 electronic report listing those College Savings Pool  
2 participants who also participate in the State's prepaid  
3 tuition program, administered by the Commission. The  
4 Commission shall be responsible for filing any combined tax  
5 reports regarding State qualified savings programs required  
6 by the United States Internal Revenue Service. The Treasurer  
7 shall work with the Illinois Student Assistance Commission to  
8 coordinate the marketing of the College Savings Pool and the  
9 Illinois Prepaid Tuition Program when considered beneficial  
10 by the Treasurer and the Director of the Illinois Student  
11 Assistance Commission. The Treasurer's office shall not  
12 publicize or otherwise market the College Savings Pool or  
13 accept any moneys into the College Savings Pool prior to  
14 March 1, 2000. The Treasurer shall provide a separate  
15 accounting for each designated beneficiary to each  
16 participant, the Illinois Student Assistance Commission, and  
17 the participating financial institution at which the account  
18 was processed. No interest in the program may be pledged as  
19 security for a loan.

20 The assets of the College Savings Pool and its income and  
21 operation shall be exempt from all taxation by the State of  
22 Illinois and any of its subdivisions. The accrued earnings  
23 on investments in the Pool once disbursed on behalf of a  
24 designated beneficiary shall be similarly exempt from all  
25 taxation by the State of Illinois and its subdivisions, so  
26 long as they are used for qualified expenses. Contributions  
27 to a College Savings Pool account during the taxable year may  
28 be deducted from adjusted gross income as provided in Section  
29 203 of the Illinois Income Tax Act. The provisions of this  
30 paragraph are exempt from Section 250 of the Illinois Income  
31 Tax Act.

32 The Treasurer shall adopt rules he or she considers  
33 necessary for the efficient administration of the College  
34 Savings Pool. The rules shall provide whatever additional

1 parameters and restrictions are necessary to ensure that the  
2 College Savings Pool meets all of the requirements for a  
3 qualified state tuition program under Section 529 of the  
4 Internal Revenue Code (26 U.S.C. 529 52). The rules shall  
5 provide for the administration expenses of the pool to be  
6 paid from its earnings and for the investment earnings in  
7 excess of the expenses and all moneys collected as penalties  
8 to be credited or paid monthly to the several participants in  
9 the pool in a manner which equitably reflects the differing  
10 amounts of their respective investments in the pool and the  
11 differing periods of time for which those amounts were in the  
12 custody of the pool. Also, the rules shall require the  
13 maintenance of records that enable the Treasurer's office to  
14 produce a report for each account in the pool at least  
15 annually that documents the account balance and investment  
16 earnings. Notice of any proposed amendments to the rules and  
17 regulations shall be provided to all participants prior to  
18 adoption. Amendments to rules and regulations shall apply  
19 only to contributions made after the adoption of the  
20 amendment.

21 Upon creating the College Savings Pool, the State  
22 Treasurer shall give bond with 2 or more sufficient sureties,  
23 payable to and for the benefit of the participants in the  
24 College Savings Pool, in the penal sum of \$1,000,000,  
25 conditioned upon the faithful discharge of his or her duties  
26 in relation to the College Savings Pool.

27 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01;  
28 revised 7-3-00.)

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

31 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

32 Sec. 203. Base income defined.

1 (a) Individuals.

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

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

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

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

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

33 (D) An amount equal to the amount of the  
34 capital gain deduction allowable under the Internal

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

3 (D-5) An amount, to the extent not included in  
4 adjusted gross income, equal to the amount of money  
5 withdrawn by the taxpayer in the taxable year from a  
6 medical care savings account and the interest earned  
7 on the account in the taxable year of a withdrawal  
8 pursuant to subsection (b) of Section 20 of the  
9 Medical Care Savings Account Act or subsection (b)  
10 of Section 20 of the Medical Care Savings Account  
11 Act of 2000; and

12 (D-10) For taxable years ending after December  
13 31, 1997, an amount equal to any eligible  
14 remediation costs that the individual deducted in  
15 computing adjusted gross income and for which the  
16 individual claims a credit under subsection (1) of  
17 Section 201;

18 and by deducting from the total so obtained the sum of  
19 the following amounts:

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

33 (F) An amount equal to all amounts included in  
34 such total pursuant to the provisions of Sections



1 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
2 408 of the Internal Revenue Code, or included in  
3 such total as distributions under the provisions of  
4 any retirement or disability plan for employees of  
5 any governmental agency or unit, or retirement  
6 payments to retired partners, which payments are  
7 excluded in computing net earnings from self  
8 employment by Section 1402 of the Internal Revenue  
9 Code and regulations adopted pursuant thereto;

10 (G) The valuation limitation amount;

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

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

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



1           deduction used to compute the federal income tax  
2           credit for restoration of substantial amounts held  
3           under claim of right for the taxable year pursuant  
4           to Section 1341 of the Internal Revenue Code of  
5           1986;

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

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

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

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

31          (U) For one taxable year beginning on or after  
32          January 1, 1994, an amount equal to the total amount  
33          of tax imposed and paid under subsections (a) and  
34          (b) of Section 201 of this Act on grant amounts

1 received by the taxpayer under the Nursing Home  
2 Grant Assistance Act during the taxpayer's taxable  
3 years 1992 and 1993;

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

33 (W) For taxable years beginning on or after  
34 January 1, 1998, all amounts included in the

1 taxpayer's federal gross income in the taxable year  
2 from amounts converted from a regular IRA to a Roth  
3 IRA. This paragraph is exempt from the provisions of  
4 Section 250; and

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

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

6 (Y) For taxable years beginning on or after  
7 January 1, 2002, moneys contributed in the taxable  
8 year to a College Savings Pool account under Section  
9 16.5 of the State Treasurer Act. This subparagraph  
10 (Y) is exempt from the provisions of Section 250;  
11 and

12 (Z) For taxable years ending on or after  
13 December 31, 2001, an amount equal to the amount  
14 spent by the taxpayer during the taxable year for  
15 the purchase of an Illinois prepaid tuition  
16 contract, as defined in the Illinois Prepaid Tuition  
17 Act. This subparagraph (Z) is exempt from the  
18 provisions of Section 250 of this Act.

19 (b) Corporations.

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

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

26 (A) An amount equal to all amounts paid or  
27 accrued to the taxpayer as interest and all  
28 distributions received from regulated investment  
29 companies during the taxable year to the extent  
30 excluded from gross income in the computation of  
31 taxable income;

32 (B) An amount equal to the amount of tax  
33 imposed by this Act to the extent deducted from  
34 gross income in the computation of taxable income

1 for the taxable year;

2 (C) In the case of a regulated investment  
3 company, an amount equal to the excess of (i) the  
4 net long-term capital gain for the taxable year,  
5 over (ii) the amount of the capital gain dividends  
6 designated as such in accordance with Section  
7 852(b)(3)(C) of the Internal Revenue Code and any  
8 amount designated under Section 852(b)(3)(D) of the  
9 Internal Revenue Code, attributable to the taxable  
10 year (this amendatory Act of 1995 (Public Act 89-89)  
11 is declarative of existing law and is not a new  
12 enactment);

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

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

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

1 an earlier taxable year, and  
 2 (ii) the addition modification relating  
 3 to the net operating loss carried back or  
 4 forward to the taxable year from any taxable  
 5 year ending prior to December 31, 1986 shall  
 6 not exceed the amount of such carryback or  
 7 carryforward;

8 For taxable years in which there is a net  
 9 operating loss carryback or carryforward from more  
 10 than one other taxable year ending prior to December  
 11 31, 1986, the addition modification provided in this  
 12 subparagraph (E) shall be the sum of the amounts  
 13 computed independently under the preceding  
 14 provisions of this subparagraph (E) for each such  
 15 taxable year; and

16 (E-5) For taxable years ending after December  
 17 31, 1997, an amount equal to any eligible  
 18 remediation costs that the corporation deducted in  
 19 computing adjusted gross income and for which the  
 20 corporation claims a credit under subsection (l) of  
 21 Section 201;

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

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 any amount included in  
 29 such total under Section 78 of the Internal Revenue  
 30 Code;

31 (H) In the case of a regulated investment  
 32 company, an amount equal to the amount of exempt  
 33 interest dividends as defined in subsection (b) (5)  
 34 of Section 852 of the Internal Revenue Code, paid to



1 shareholders for the taxable year;

2 (I) With the exception of any amounts  
3 subtracted under subparagraph (J), an amount equal  
4 to the sum of all amounts disallowed as deductions  
5 by (i) Sections 171(a) (2), and 265(a)(2) and  
6 amounts disallowed as interest expense by Section  
7 291(a)(3) of the Internal Revenue Code, as now or  
8 hereafter amended, and all amounts of expenses  
9 allocable to interest and disallowed as deductions  
10 by Section 265(a)(1) of the Internal Revenue Code,  
11 as now or hereafter amended; and (ii) for taxable  
12 years ending on or after August 13, 1999, Sections  
13 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
14 of the Internal Revenue Code; the provisions of this  
15 subparagraph are exempt from the provisions of  
16 Section 250;

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

27 (K) An amount equal to those dividends  
28 included in such total which were paid by a  
29 corporation which conducts business operations in an  
30 Enterprise Zone or zones created under the Illinois  
31 Enterprise Zone Act and conducts substantially all  
32 of its operations in an Enterprise Zone or zones;

33 (L) An amount equal to those dividends  
34 included in such total that were paid by a

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

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

31 (M-1) For any taxpayer that is a financial  
32 organization within the meaning of Section 304(c) of  
33 this Act, an amount included in such total as  
34 interest income from a loan or loans made by such

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

24 (N) Two times any contribution made during the  
25 taxable year to a designated zone organization to  
26 the extent that the contribution (i) qualifies as a  
27 charitable contribution under subsection (c) of  
28 Section 170 of the Internal Revenue Code and (ii)  
29 must, by its terms, be used for a project approved  
30 by the Department of Commerce and Community Affairs  
31 under Section 11 of the Illinois Enterprise Zone  
32 Act;

33 (O) An amount equal to: (i) 85% for taxable  
34 years ending on or before December 31, 1992, or, a

1 percentage equal to the percentage allowable under  
2 Section 243(a)(1) of the Internal Revenue Code of  
3 1986 for taxable years ending after December 31,  
4 1992, of the amount by which dividends included in  
5 taxable income and received from a corporation that  
6 is not created or organized under the laws of the  
7 United States or any state or political subdivision  
8 thereof, including, for taxable years ending on or  
9 after December 31, 1988, dividends received or  
10 deemed received or paid or deemed paid under  
11 Sections 951 through 964 of the Internal Revenue  
12 Code, exceed the amount of the modification provided  
13 under subparagraph (G) of paragraph (2) of this  
14 subsection (b) which is related to such dividends;  
15 plus (ii) 100% of the amount by which dividends,  
16 included in taxable income and received, including,  
17 for taxable years ending on or after December 31,  
18 1988, dividends received or deemed received or paid  
19 or deemed paid under Sections 951 through 964 of the  
20 Internal Revenue Code, from any such corporation  
21 specified in clause (i) that would but for the  
22 provisions of Section 1504 (b) (3) of the Internal  
23 Revenue Code be treated as a member of the  
24 affiliated group which includes the dividend  
25 recipient, exceed the amount of the modification  
26 provided under subparagraph (G) of paragraph (2) of  
27 this subsection (b) which is related to such  
28 dividends;

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

32 (Q) An amount equal to the amount of the  
33 deduction used to compute the federal income tax  
34 credit for restoration of substantial amounts held

1 under claim of right for the taxable year pursuant  
2 to Section 1341 of the Internal Revenue Code of  
3 1986;

4 (R) In the case of an attorney-in-fact with  
5 respect to whom an interinsurer or a reciprocal  
6 insurer has made the election under Section 835 of  
7 the Internal Revenue Code, 26 U.S.C. 835, an amount  
8 equal to the excess, if any, of the amounts paid or  
9 incurred by that interinsurer or reciprocal insurer  
10 in the taxable year to the attorney-in-fact over the  
11 deduction allowed to that interinsurer or reciprocal  
12 insurer with respect to the attorney-in-fact under  
13 Section 835(b) of the Internal Revenue Code for the  
14 taxable year; and

15 (S) For taxable years ending on or after  
16 December 31, 1997, in the case of a Subchapter S  
17 corporation, an amount equal to all amounts of  
18 income allocable to a shareholder subject to the  
19 Personal Property Tax Replacement Income Tax imposed  
20 by subsections (c) and (d) of Section 201 of this  
21 Act, including amounts allocable to organizations  
22 exempt from federal income tax by reason of Section  
23 501(a) of the Internal Revenue Code. This  
24 subparagraph (S) is exempt from the provisions of  
25 Section 250.

26 (3) Special rule. For purposes of paragraph (2)  
27 (A), "gross income" in the case of a life insurance  
28 company, for tax years ending on and after December 31,  
29 1994, shall mean the gross investment income for the  
30 taxable year.

31 (c) Trusts and estates.

32 (1) In general. In the case of a trust or estate,  
33 base income means an amount equal to the taxpayer's  
34 taxable income for the taxable year as modified by

1 paragraph (2).

2 (2) Modifications. Subject to the provisions of  
3 paragraph (3), the taxable income referred to in  
4 paragraph (1) shall be modified by adding thereto the sum  
5 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) In the case of (i) an estate, \$600; (ii) a  
11 trust which, under its governing instrument, is  
12 required to distribute all of its income currently,  
13 \$300; and (iii) any other trust, \$100, but in each  
14 such case, only to the extent such amount was  
15 deducted in the computation of taxable income;

16 (C) An amount equal to the amount of tax  
17 imposed by this Act to the extent deducted from  
18 gross income in the computation of taxable income  
19 for the taxable year;

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

24 (E) For taxable years in which a net operating  
25 loss carryback or carryforward from a taxable year  
26 ending prior to December 31, 1986 is an element of  
27 taxable income under paragraph (1) of subsection (e)  
28 or subparagraph (E) of paragraph (2) of subsection  
29 (e), the amount by which addition modifications  
30 other than those provided by this subparagraph (E)  
31 exceeded subtraction modifications in such taxable  
32 year, with the following limitations applied in the  
33 order that they are listed:

34 (i) the addition modification relating to

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

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

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

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

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

33                   (G-5) For taxable years ending after December  
34           31, 1997, an amount equal to any eligible

1 remediation costs that the trust or estate deducted  
 2 in computing adjusted gross income and for which the  
 3 trust or estate claims a credit under subsection (l)  
 4 of Section 201;

5 and by deducting from the total so obtained the sum of  
 6 the following amounts:

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

18 (I) The valuation limitation amount;

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

23 (K) An amount equal to all amounts included in  
 24 taxable income as modified by subparagraphs (A),  
 25 (B), (C), (D), (E), (F) and (G) which are exempt  
 26 from taxation by this State either by reason of its  
 27 statutes or Constitution or by reason of the  
 28 Constitution, treaties or statutes of the United  
 29 States; provided that, in the case of any statute of  
 30 this State that exempts income derived from bonds or  
 31 other obligations from the tax imposed under this  
 32 Act, the amount exempted shall be the interest net  
 33 of bond premium amortization;

34 (L) With the exception of any amounts



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

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

19 (N) An amount equal to any contribution made  
20 to a job training project established pursuant to  
21 the Tax Increment Allocation Redevelopment Act;

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

32 (P) An amount equal to the amount of the  
33 deduction used to compute the federal income tax  
34 credit for restoration of substantial amounts held

1 under claim of right for the taxable year pursuant  
2 to Section 1341 of the Internal Revenue Code of  
3 1986; and

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

1           the inclusion of items (i) and (ii) of this  
2           paragraph in gross income for federal income tax  
3           purposes. This paragraph is exempt from the  
4           provisions of Section 250.

5           (3) Limitation. The amount of any modification  
6           otherwise required under this subsection shall, under  
7           regulations prescribed by the Department, be adjusted by  
8           any amounts included therein which were properly paid,  
9           credited, or required to be distributed, or permanently  
10          set aside for charitable purposes pursuant to Internal  
11          Revenue Code Section 642(c) during the taxable year.

12          (d) Partnerships.

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

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

19           (A) An amount equal to all amounts paid or  
20          accrued to the taxpayer as interest or dividends  
21          during the taxable year to the extent excluded from  
22          gross income in the computation of taxable income;

23           (B) An amount equal to the amount of tax  
24          imposed by this Act to the extent deducted from  
25          gross income for the taxable year;

26           (C) The amount of deductions allowed to the  
27          partnership pursuant to Section 707 (c) of the  
28          Internal Revenue Code in calculating its taxable  
29          income; and

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 taxable income;

34          and by deducting from the total so obtained the following

1 amounts:

2 (E) The valuation limitation amount;

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

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

18 (H) Any income of the partnership which  
19 constitutes personal service income as defined in  
20 Section 1348 (b) (1) of the Internal Revenue Code  
21 (as in effect December 31, 1981) or a reasonable  
22 allowance for compensation paid or accrued for  
23 services rendered by partners to the partnership,  
24 whichever is greater;

25 (I) An amount equal to all amounts of income  
26 distributable to an entity subject to the Personal  
27 Property Tax Replacement Income Tax imposed by  
28 subsections (c) and (d) of Section 201 of this Act  
29 including amounts distributable to organizations  
30 exempt from federal income tax by reason of Section  
31 501(a) of the Internal Revenue Code;

32 (J) With the exception of any amounts  
33 subtracted under subparagraph (G), an amount equal  
34 to the sum of all amounts disallowed as deductions

1 by (i) Sections 171(a) (2), and 265(2) of the  
2 Internal Revenue Code of 1954, as now or hereafter  
3 amended, and all amounts of expenses allocable to  
4 interest and disallowed as deductions by Section  
5 265(1) of the Internal Revenue Code, as now or  
6 hereafter amended; and (ii) for taxable years ending  
7 on or after August 13, 1999, Sections 171(a)(2),  
8 265, 280C, and 832(b)(5)(B)(i) of the Internal  
9 Revenue Code; the provisions of this subparagraph  
10 are exempt from the provisions of Section 250;

11 (K) An amount equal to those dividends  
12 included in such total which were paid by a  
13 corporation which conducts business operations in an  
14 Enterprise Zone or zones created under the Illinois  
15 Enterprise Zone Act, enacted by the 82nd General  
16 Assembly, and which does not conduct such operations  
17 other than in an Enterprise Zone or Zones;

18 (L) An amount equal to any contribution made  
19 to a job training project established pursuant to  
20 the Real Property Tax Increment Allocation  
21 Redevelopment Act;

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

32 (N) An amount equal to the amount of the  
33 deduction used to compute the federal income tax  
34 credit for restoration of substantial amounts held

1           under claim of right for the taxable year pursuant  
2           to Section 1341 of the Internal Revenue Code of  
3           1986.

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

5           (1) In general. Subject to the provisions of  
6           paragraph (2) and subsection (b) (3), for purposes of  
7           this Section and Section 803(e), a taxpayer's gross  
8           income, adjusted gross income, or taxable income for the  
9           taxable year shall mean the amount of gross income,  
10          adjusted gross income or taxable income properly  
11          reportable for federal income tax purposes for the  
12          taxable year under the provisions of the Internal Revenue  
13          Code. Taxable income may be less than zero. However, for  
14          taxable years ending on or after December 31, 1986, net  
15          operating loss carryforwards from taxable years ending  
16          prior to December 31, 1986, may not exceed the sum of  
17          federal taxable income for the taxable year before net  
18          operating loss deduction, plus the excess of addition  
19          modifications over subtraction modifications for the  
20          taxable year. For taxable years ending prior to December  
21          31, 1986, taxable income may never be an amount in excess  
22          of the net operating loss for the taxable year as defined  
23          in subsections (c) and (d) of Section 172 of the Internal  
24          Revenue Code, provided that when taxable income of a  
25          corporation (other than a Subchapter S corporation),  
26          trust, or estate is less than zero and addition  
27          modifications, other than those provided by subparagraph  
28          (E) of paragraph (2) of subsection (b) for corporations  
29          or subparagraph (E) of paragraph (2) of subsection (c)  
30          for trusts and estates, exceed subtraction modifications,  
31          an addition modification must be made under those  
32          subparagraphs for any other taxable year to which the  
33          taxable income less than zero (net operating loss) is  
34          applied under Section 172 of the Internal Revenue Code or

1 under subparagraph (E) of paragraph (2) of this  
2 subsection (e) applied in conjunction with Section 172 of  
3 the Internal Revenue Code.

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

7 (A) Certain life insurance companies. In the  
8 case of a life insurance company subject to the tax  
9 imposed by Section 801 of the Internal Revenue Code,  
10 life insurance company taxable income, plus the  
11 amount of distribution from pre-1984 policyholder  
12 surplus accounts as calculated under Section 815a of  
13 the Internal Revenue Code;

14 (B) Certain other insurance companies. In the  
15 case of mutual insurance companies subject to the  
16 tax imposed by Section 831 of the Internal Revenue  
17 Code, insurance company taxable income;

18 (C) Regulated investment companies. In the  
19 case of a regulated investment company subject to  
20 the tax imposed by Section 852 of the Internal  
21 Revenue Code, investment company taxable income;

22 (D) Real estate investment trusts. In the  
23 case of a real estate investment trust subject to  
24 the tax imposed by Section 857 of the Internal  
25 Revenue Code, real estate investment trust taxable  
26 income;

27 (E) Consolidated corporations. In the case of  
28 a corporation which is a member of an affiliated  
29 group of corporations filing a consolidated income  
30 tax return for the taxable year for federal income  
31 tax purposes, taxable income determined as if such  
32 corporation had filed a separate return for federal  
33 income tax purposes for the taxable year and each  
34 preceding taxable year for which it was a member of

1 an affiliated group. For purposes of this  
2 subparagraph, the taxpayer's separate taxable income  
3 shall be determined as if the election provided by  
4 Section 243(b) (2) of the Internal Revenue Code had  
5 been in effect for all such years;

6 (F) Cooperatives. In the case of a  
7 cooperative corporation or association, the taxable  
8 income of such organization determined in accordance  
9 with the provisions of Section 1381 through 1388 of  
10 the Internal Revenue Code;

11 (G) Subchapter S corporations. In the case  
12 of: (i) a Subchapter S corporation for which there  
13 is in effect an election for the taxable year under  
14 Section 1362 of the Internal Revenue Code, the  
15 taxable income of such corporation determined in  
16 accordance with Section 1363(b) of the Internal  
17 Revenue Code, except that taxable income shall take  
18 into account those items which are required by  
19 Section 1363(b)(1) of the Internal Revenue Code to  
20 be separately stated; and (ii) a Subchapter S  
21 corporation for which there is in effect a federal  
22 election to opt out of the provisions of the  
23 Subchapter S Revision Act of 1982 and have applied  
24 instead the prior federal Subchapter S rules as in  
25 effect on July 1, 1982, the taxable income of such  
26 corporation determined in accordance with the  
27 federal Subchapter S rules as in effect on July 1,  
28 1982; and

29 (H) Partnerships. In the case of a  
30 partnership, taxable income determined in accordance  
31 with Section 703 of the Internal Revenue Code,  
32 except that taxable income shall take into account  
33 those items which are required by Section 703(a)(1)  
34 to be separately stated but which would be taken





1 referred to in paragraph (1) was not readily  
2 ascertainable on August 1, 1969, the pre-August 1,  
3 1969 appreciation amount for such property is that  
4 amount which bears the same ratio to the total gain  
5 reported in respect of the property for federal  
6 income tax purposes for the taxable year, as the  
7 number of full calendar months in that part of the  
8 taxpayer's holding period for the property ending  
9 July 31, 1969 bears to the number of full calendar  
10 months in the taxpayer's entire holding period for  
11 the property.

12 (C) The Department shall prescribe such  
13 regulations as may be necessary to carry out the  
14 purposes of this paragraph.

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

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

27 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;  
28 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.  
29 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,  
30 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;  
31 revised 1-15-01.)

32 Section 15. The Illinois Prepaid Tuition Act is amended

1 by changing Section 55 as follows:

2 (110 ILCS 979/55)

3 Sec. 55. Tax exemption. The assets of the Illinois  
4 Prepaid Tuition Trust Fund and its income and operation shall  
5 be exempt from all taxation by the State of Illinois and any  
6 of its subdivisions. The accrued earnings of Illinois  
7 prepaid tuition contracts once disbursed on behalf of an  
8 eligible beneficiary shall be similarly exempt from all  
9 taxation by the State of Illinois and any of its  
10 subdivisions, so long as they are used for educational  
11 purposes in accordance with the provisions of an Illinois  
12 prepaid tuition contract. The amount spent by a purchaser of  
13 an Illinois prepaid tuition contract during the taxable year  
14 may be deducted from adjusted gross income as provided in  
15 Section 203 of the Illinois Income Tax Act. The provisions of  
16 this Section are exempt from the provisions of Section 250 of  
17 the Illinois Income Tax Act.

18 (Source: P.A. 90-546, eff. 12-1-97; 91-867, eff. 6-22-00.)

19 Section 99. Effective date. This Act takes effect upon  
20 becoming law.