

1 AN ACT concerning taxation.

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 changing Section 201 as follows:

6 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

7 Sec. 201. Tax Imposed.

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

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

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

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

30 (3) In the case of an individual, trust or estate,
31 for taxable years beginning after June 30, 1989, an

1 amount equal to 3% of the taxpayer's net income for the
2 taxable year.

3 (4) (Blank).

4 (5) (Blank).

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

8 (7) In the case of a corporation, for taxable years
9 beginning prior to July 1, 1989 and ending after June 30,
10 1989, an amount equal to the sum of (i) 4% of the
11 taxpayer's net income for the period prior to July 1,
12 1989, as calculated under Section 202.3, and (ii) 4.8% of
13 the taxpayer's net income for the period after June 30,
14 1989, as calculated under Section 202.3.

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

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

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

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

9 (d-1) Rate reduction for certain foreign insurers. In
10 the case of a foreign insurer, as defined by Section 35A-5 of
11 the Illinois Insurance Code, whose state or country of
12 domicile imposes on insurers domiciled in Illinois a
13 retaliatory tax (excluding any insurer whose premiums from
14 reinsurance assumed are 50% or more of its total insurance
15 premiums as determined under paragraph (2) of subsection (b)
16 of Section 304, except that for purposes of this
17 determination premiums from reinsurance do not include
18 premiums from inter-affiliate reinsurance arrangements),
19 beginning with taxable years ending on or after December 31,
20 1999, the sum of the rates of tax imposed by subsections (b)
21 and (d) shall be reduced (but not increased) to the rate at
22 which the total amount of tax imposed under this Act, net of
23 all credits allowed under this Act, shall equal (i) the total
24 amount of tax that would be imposed on the foreign insurer's
25 net income allocable to Illinois for the taxable year by such
26 foreign insurer's state or country of domicile if that net
27 income were subject to all income taxes and taxes measured by
28 net income imposed by such foreign insurer's state or country
29 of domicile, net of all credits allowed or (ii) a rate of
30 zero if no such tax is imposed on such income by the foreign
31 insurer's state of domicile. For the purposes of this
32 subsection (d-1), an inter-affiliate includes a mutual
33 insurer under common management.

34 (1) For the purposes of subsection (d-1), in no

1 event shall the sum of the rates of tax imposed by
2 subsections (b) and (d) be reduced below the rate at
3 which the sum of:

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

7 (B) the privilege tax imposed by Section 409
8 of the Illinois Insurance Code, the fire insurance
9 company tax imposed by Section 12 of the Fire
10 Investigation Act, and the fire department taxes
11 imposed under Section 11-10-1 of the Illinois
12 Municipal Code,

13 equals 1.25% of the net taxable premiums written for the
14 taxable year, as described by subsection (1) of Section
15 409 of the Illinois Insurance Code. This paragraph will
16 in no event increase the rates imposed under subsections
17 (b) and (d).

18 (2) Any reduction in the rates of tax imposed by
19 this subsection shall be applied first against the rates
20 imposed by subsection (b) and only after the tax imposed
21 by subsection (a) net of all credits allowed under this
22 Section other than the credit allowed under subsection
23 (i) has been reduced to zero, against the rates imposed
24 by subsection (d).

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

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

30 (1) A taxpayer shall be allowed a credit equal to
31 .5% of the basis of qualified property placed in service
32 during the taxable year, provided such property is placed
33 in service on or after July 1, 1984. There shall be
34 allowed an additional credit equal to .5% of the basis of

1 qualified property placed in service during the taxable
2 year, provided such property is placed in service on or
3 after July 1, 1986, and the taxpayer's base employment
4 within Illinois has increased by 1% or more over the
5 preceding year as determined by the taxpayer's employment
6 records filed with the Illinois Department of Employment
7 Security. Taxpayers who are new to Illinois shall be
8 deemed to have met the 1% growth in base employment for
9 the first year in which they file employment records with
10 the Illinois Department of Employment Security. The
11 provisions added to this Section by Public Act 85-1200
12 (and restored by Public Act 87-895) shall be construed as
13 declaratory of existing law and not as a new enactment.
14 If, in any year, the increase in base employment within
15 Illinois over the preceding year is less than 1%, the
16 additional credit shall be limited to that percentage
17 times a fraction, the numerator of which is .5% and the
18 denominator of which is 1%, but shall not exceed .5%.
19 The investment credit shall not be allowed to the extent
20 that it would reduce a taxpayer's liability in any tax
21 year below zero, nor may any credit for qualified
22 property be allowed for any year other than the year in
23 which the property was placed in service in Illinois. For
24 tax years ending on or after December 31, 1987, and on or
25 before December 31, 1988, the credit shall be allowed for
26 the tax year in which the property is placed in service,
27 or, if the amount of the credit exceeds the tax liability
28 for that year, whether it exceeds the original liability
29 or the liability as later amended, such excess may be
30 carried forward and applied to the tax liability of the 5
31 taxable years following the excess credit years if the
32 taxpayer (i) makes investments which cause the creation
33 of a minimum of 2,000 full-time equivalent jobs in
34 Illinois, (ii) is located in an enterprise zone

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

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

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

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 (e);

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

1 (D) is used in Illinois by a taxpayer who is
2 primarily engaged in manufacturing, or in mining
3 coal or fluorite, or in retailing; and

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

8 (3) For purposes of this subsection (e),
9 "manufacturing" means the material staging and production
10 of tangible personal property by procedures commonly
11 regarded as manufacturing, processing, fabrication, or
12 assembling which changes some existing material into new
13 shapes, new qualities, or new combinations. For purposes
14 of this subsection (e) the term "mining" shall have the
15 same meaning as the term "mining" in Section 613(c) of
16 the Internal Revenue Code. For purposes of this
17 subsection (e), the term "retailing" means the sale of
18 tangible personal property or services rendered in
19 conjunction with the sale of tangible consumer goods or
20 commodities.

21 (4) The basis of qualified property shall be the
22 basis used to compute the depreciation deduction for
23 federal income tax purposes.

24 (5) If the basis of the property for federal income
25 tax depreciation purposes is increased after it has been
26 placed in service in Illinois by the taxpayer, the amount
27 of such increase shall be deemed property placed in
28 service on the date of such increase in basis.

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

32 (7) If during any taxable year, any property ceases
33 to be qualified property in the hands of the taxpayer
34 within 48 months after being placed in service, or the

1 situs of any qualified property is moved outside Illinois
2 within 48 months after being placed in service, the
3 Personal Property Tax Replacement Income Tax 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 (7), 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 (8) Unless the investment credit is extended by
16 law, the basis of qualified property shall not include
17 costs incurred after December 31, 2003, except for costs
18 incurred pursuant to a binding contract entered into on
19 or before December 31, 2003.

20 (9) Each taxable year ending before December 31,
21 2000, a partnership may elect to pass through to its
22 partners the credits to which the partnership is entitled
23 under this subsection (e) for the taxable year. A
24 partner may use the credit allocated to him or her under
25 this paragraph only against the tax imposed in
26 subsections (c) and (d) of this Section. If the
27 partnership makes that election, those credits shall be
28 allocated among the partners in the partnership in
29 accordance with the rules set forth in Section 704(b) of
30 the Internal Revenue Code, and the rules promulgated
31 under that Section, and the allocated amount of the
32 credits shall be allowed to the partners for that taxable
33 year. The partnership shall make this election on its
34 Personal Property Tax Replacement Income Tax return for

1 that taxable year. The election to pass through the
2 credits shall be irrevocable.

3 For taxable years ending on or after December 31,
4 2000, a partner that qualifies its partnership for a
5 subtraction under subparagraph (I) of paragraph (2) of
6 subsection (d) of Section 203 or a shareholder that
7 qualifies a Subchapter S corporation for a subtraction
8 under subparagraph (S) of paragraph (2) of subsection (b)
9 of Section 203 shall be allowed a credit under this
10 subsection (e) equal to its share of the credit earned
11 under this subsection (e) during the taxable year by the
12 partnership or Subchapter S corporation, determined in
13 accordance with the determination of income and
14 distributive share of income under Sections 702 and 704
15 and Subchapter S of the Internal Revenue Code. This
16 paragraph is exempt from the provisions of Section 250.

17 (f) Investment credit; Enterprise Zone.

18 (1) A taxpayer shall be allowed a credit against
19 the tax imposed by subsections (a) and (b) of this
20 Section for investment in qualified property which is
21 placed in service in an Enterprise Zone created pursuant
22 to the Illinois Enterprise Zone Act. For partners,
23 shareholders of Subchapter S corporations, and owners of
24 limited liability companies, if the liability company is
25 treated as a partnership for purposes of federal and
26 State income taxation, there shall be allowed a credit
27 under this subsection (f) to be determined in accordance
28 with the determination of income and distributive share
29 of income under Sections 702 and 704 and Subchapter S of
30 the Internal Revenue Code. The credit shall be .5% of
31 the basis for such property. The credit shall be
32 available only in the taxable year in which the property
33 is placed in service in the Enterprise Zone and shall not
34 be allowed to the extent that it would reduce a

1 taxpayer's liability for the tax imposed by subsections
2 (a) and (b) of this Section to below zero. For tax years
3 ending on or after December 31, 1985, the credit shall be
4 allowed for the tax year in which the property is placed
5 in service, or, if the amount of the credit exceeds the
6 tax liability for that year, whether it exceeds the
7 original liability or the liability as later amended,
8 such excess may be carried forward and applied to the tax
9 liability of the 5 taxable years following the excess
10 credit year. The credit shall be applied to the earliest
11 year for which there is a liability. If there is credit
12 from more than one tax year that is available to offset a
13 liability, the credit accruing first in time shall be
14 applied first.

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

17 (A) is tangible, whether new or used,
18 including buildings and structural components of
19 buildings;

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

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

27 (D) is used in the Enterprise Zone by the
28 taxpayer; and

29 (E) has not been previously used in Illinois
30 in such a manner and by such a person as would
31 qualify for the credit provided by this subsection
32 (f) or subsection (e).

33 (3) The basis of qualified property shall be the
34 basis used to compute the depreciation deduction for

1 federal income tax purposes.

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

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

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

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

29 (1) A taxpayer conducting a trade or business in an
30 enterprise zone or a High Impact Business designated by
31 the Department of Commerce and Community Affairs
32 conducting a trade or business in a federally designated
33 Foreign Trade Zone or Sub-Zone shall be allowed a credit
34 against the tax imposed by subsections (a) and (b) of

1 this Section in the amount of \$500 per eligible employee
2 hired to work in the zone during the taxable year.

3 (2) To qualify for the credit:

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

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

16 (C) the eligible employees must be employed
17 180 consecutive days in order to be deemed hired for
18 purposes of this subsection.

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

21 (A) Certified by the Department of Commerce
22 and Community Affairs as "eligible for services"
23 pursuant to regulations promulgated in accordance
24 with Title II of the Job Training Partnership Act,
25 Training Services for the Disadvantaged or Title III
26 of the Job Training Partnership Act, Employment and
27 Training Assistance for Dislocated Workers Program.

28 (B) Hired after the enterprise zone or
29 federally designated Foreign Trade Zone or Sub-Zone
30 was designated or the trade or business was located
31 in that zone, whichever is later.

32 (C) Employed in the enterprise zone or Foreign
33 Trade Zone or Sub-Zone. An employee is employed in
34 an enterprise zone or federally designated Foreign

1 Trade Zone or Sub-Zone if his services are rendered
2 there or it is the base of operations for the
3 services performed.

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

6 (4) For tax years ending on or after December 31,
7 1985 and prior to December 31, 1988, the credit shall be
8 allowed for the tax year in which the eligible employees
9 are hired. For tax years ending on or after December 31,
10 1988, the credit shall be allowed for the tax year
11 immediately following the tax year in which the eligible
12 employees are hired. If the amount of the credit exceeds
13 the tax liability for that year, whether it exceeds the
14 original liability or the liability as later amended,
15 such excess may be carried forward and applied to the tax
16 liability of the 5 taxable years following the excess
17 credit year. The credit shall be applied to the earliest
18 year for which there is a liability. If there is credit
19 from more than one tax year that is available to offset a
20 liability, earlier credit shall be applied first.

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

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

26 (h) Investment credit; High Impact Business.

27 (1) Subject to subsections (b) and (b-5) of Section
28 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
29 be allowed a credit against the tax imposed by
30 subsections (a) and (b) of this Section for investment in
31 qualified property which is placed in service by a
32 Department of Commerce and Community Affairs designated
33 High Impact Business. The credit shall be .5% of the
34 basis for such property. The credit shall not be

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

34 Changes made in this subdivision (h)(1) by Public

1 Act 88-670 restore changes made by Public Act 85-1182 and
2 reflect existing law.

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

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

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

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

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

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

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

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

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

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

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

25 (i) Credit for Personal Property Tax Replacement Income
26 Tax. 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 subsections ~~subsectien~~ (c) and (d). If any
20 portion of the reduced amount of credit has been carried to a
21 different taxable year, an amended return shall be filed for
22 such 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 subsections
26 ~~subsectien~~ (a) and (b) under this Section for all amounts
27 paid or accrued, on behalf of all persons employed by the
28 taxpayer in Illinois or Illinois residents employed outside
29 of Illinois by a taxpayer, for educational or vocational
30 training in semi-technical or technical fields or
31 semi-skilled or skilled fields, which were deducted from
32 gross income in the computation of taxable income. The
33 credit against the tax imposed by subsections (a) and (b)
34 shall be 1.6% of such training expenses. For partners,

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

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

18 (k) Research and development credit.

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

34 For purposes of this subsection, "qualifying

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

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

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

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

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

4 (1) Environmental Remediation Tax Credit.

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

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

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

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

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

13 (m) Education expense credit.

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

26 For purposes of this subsection:

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

34 "Qualified education expense" means the amount incurred

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

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

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

14 (Source: P.A. 91-9, eff. 1-1-00; 91-357, eff. 7-29-99;
15 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860, eff.
16 6-22-00; 91-913, eff. 1-1-01; 92-12, eff. 7-1-01; 92-16, eff.
17 6-28-01; revised 12-3-01.)