



# **SENATE JOURNAL**

**STATE OF ILLINOIS**

**NINETY-FOURTH GENERAL ASSEMBLY**

**51ST LEGISLATIVE DAY**

**SATURDAY, MAY 28, 2005**

**12:33 O'CLOCK P.M.**

**SENATE**  
**Daily Journal Index**  
**51st Legislative Day**

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The Senate met pursuant to adjournment.  
 Senator Rickey R. Hendon, Chicago, Illinois, presiding.  
 Prayer by Senator Geo-Karis.  
 Senator Maloney led the Senate in the Pledge of Allegiance.

The Journal of Thursday, May 26, 2005, was being read when on motion of Senator Hunter, further reading of same was dispensed with and unless some Senator had corrections to offer, the Journal would stand approved. No corrections being offered, the Journal was ordered to stand approved.

The Journal of Friday, May 27, 2005, was being read when on motion of Senator Hunter, further reading of same was dispensed with and unless some Senator had corrections to offer, the Journal would stand approved. No corrections being offered, the Journal was ordered to stand approved.

### MESSAGES FROM THE HOUSE

A message from the House by  
 Mr. Mahoney, Clerk:  
 Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:  
 HOUSE BILL 1071  
 A bill for AN ACT concerning procurement.  
 Which amendment is as follows:  
 Senate Amendment No. 1 to HOUSE BILL NO. 1071  
 Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
 Mr. Mahoney, Clerk:  
 Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:  
 HOUSE BILL 1074  
 A bill for AN ACT concerning natural resources.  
 Which amendment is as follows:  
 Senate Amendment No. 4 to HOUSE BILL NO. 1074  
 Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
 Mr. Mahoney, Clerk:  
 Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:  
 HOUSE BILL 1100  
 A bill for AN ACT concerning regulation.  
 Which amendments are as follows:  
 Senate Amendment No. 1 to HOUSE BILL NO. 1100  
 Senate Amendment No. 3 to HOUSE BILL NO. 1100  
 Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
 Mr. Mahoney, Clerk:

[May 28, 2005]

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 1149

A bill for AN ACT concerning environmental safety.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 1149

Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 1387

A bill for AN ACT concerning transportation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 1387

Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 1445

A bill for AN ACT concerning regulation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 1445

Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 1480

A bill for AN ACT concerning labor.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 1480

Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 1487

A bill for AN ACT concerning education.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 1487

Concurred in by the House, May 27, 2005.

[May 28, 2005]

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:  
Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:  
HOUSE BILL 1511  
A bill for AN ACT concerning human services.  
Which amendment is as follows:  
Senate Amendment No. 1 to HOUSE BILL NO. 1511  
Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:  
Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:  
HOUSE BILL 1517  
A bill for AN ACT concerning remains.  
Which amendment is as follows:  
Senate Amendment No. 1 to HOUSE BILL NO. 1517  
Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:  
Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:  
HOUSE BILL 1565  
A bill for AN ACT concerning transportation.  
Which amendment is as follows:  
Senate Amendment No. 1 to HOUSE BILL NO. 1565  
Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:  
Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:  
HOUSE BILL 2137  
A bill for AN ACT concerning employment.  
Which amendments are as follows:  
Senate Amendment No. 1 to HOUSE BILL NO. 2137  
Senate Amendment No. 3 to HOUSE BILL NO. 2137  
Senate Amendment No. 5 to HOUSE BILL NO. 2137  
Concurred in by the House, May 27, 2005.

MARK MAHONEY, Clerk of the House

[May 28, 2005]

### REPORT FROM STANDING COMMITTEE

Senator Schoenberg, Chairperson of the Committee on Appropriations II, to which was referred the following Senate floor amendment, reported that the Committee recommends that it be adopted:

Senate Amendment No. 1 to Senate Bill 665

Under the rules, the foregoing floor amendment is eligible for consideration on second reading.

### JOINT ACTION MOTIONS FILED

The following Joint Action Motion to the Senate Bill listed below has been filed with the Secretary and referred to the Committee on Rules:

Motion to Concur in House Amendments 1 and 2 to Senate Bill 1446

The following Joint Action Motion to the House Bill listed below has been filed with the Secretary and referred to the Committee on Rules:

Motion to Recede from Senate Amendment 1 to House Bill 1457

### READING BILLS FROM THE HOUSE OF REPRESENTATIVES A FIRST TIME

**House Bills No. 1017**, sponsored by Senator Dillard, was taken up, read by title a first time and referred to the Committee on Rules.

**House Bill No. 3416**, sponsored by Senator Dillard, was taken up, read by title a first time and referred to the Committee on Rules.

At the hour of 12:45 o'clock p.m., Senator DeLeo presiding.

### LEGISLATIVE MEASURES FILED

The following Floor amendments to the Senate Bills listed below have been filed with the Secretary and referred to the Committee on Rules:

Senate Floor Amendment No. 1 to Senate Bill 955  
 Senate Floor Amendment No. 1 to Senate Bill 1127  
 Senate Floor Amendment No. 1 to Senate Bill 1246  
 Senate Floor Amendment No. 1 to Senate Bill 1992

The following Committee amendment to the House Bill listed below has been filed with the Secretary and referred to the Committee on Rules:

Senate Committee Amendment No. 1 to House Bill 4053

The following Floor amendment to the House Bill listed below has been filed with the Secretary and referred to the Committee on Rules:

Senate Floor Amendment No. 2 to House Bill 4053

[May 28, 2005]

**CONSIDERATION OF HOUSE AMENDMENTS TO SENATE BILLS ON SECRETARY'S  
DESK**

On motion of Senator Garrett, **Senate Bill No. 350**, with House Amendment No. 1 on the Secretary's Desk, was taken up for immediate consideration.

Senator Garrett moved that the Senate concur with the House in the adoption of their amendment to said bill.

And on that motion, a call of the roll was had resulting as follows:

Yeas 58; Nays None.

The following voted in the affirmative:

Althoff	Garrett	Martinez	Shadid
Bomke	Geo-Karis	Meeks	Sieben
Brady	Haine	Munoz	Silverstein
Burzynski	Halvorson	Pankau	Sullivan, D.
Clayborne	Harmon	Peterson	Sullivan, J.
Collins	Hendon	Petka	Syverson
Cronin	Hunter	Radogno	Trotter
Crotty	Jacobs	Raoul	Viverito
Cullerton	Jones, J.	Rauschenberger	Watson
Dahl	Jones, W.	Righter	Wilhelmi
del Valle	Lauzen	Ronen	Winkel
DeLeo	Lightford	Roskam	Wojcik
Demuzio	Link	Rutherford	Mr. President
Dillard	Luechtefeld	Sandoval	
Forby	Maloney	Schoenberg	

The motion prevailed.

And the Senate concurred with the House in the adoption of their Amendment No. 1 to **Senate Bill No. 350**.

Ordered that the Secretary inform the House of Representatives thereof.

**CONSIDERATION OF SENATE AMENDMENTS TO HOUSE BILLS ON SECRETARY'S  
DESK**

On motion of Senator Collins, **House Bill No. 3801**, with Senate Amendments numbered 1 and 2 on the Secretary's Desk, was taken up for immediate consideration.

Senator Collins moved that the Senate refuse to recede from its Amendments numbered 1 and 2 to **House Bill No. 3801** and that a First Committee of Conference consisting of five members on the part of the Senate and five members on the part of the House be appointed to adjust the differences between the two Houses in regard to said amendments.

The motion prevailed.

Ordered that the Secretary inform the House of Representatives thereof.

**MESSAGES FROM THE PRESIDENT**

**OFFICE OF THE SENATE PRESIDENT  
STATE OF ILLINOIS**

EMIL JONES, JR.  
SENATE PRESIDENT

327 STATE CAPITOL  
Springfield, Illinois 62706

May 28, 2005

Ms. Linda Hawker

[May 28, 2005]

Secretary of the Senate  
Room 403, State House  
Springfield, Illinois 62706

Dear Madam Secretary:

Pursuant to Senate Rule 2-10, I hereby establish May 31, 2005, as the Committee deadline and December 31, 2005 as the Third Reading deadline for House Bill 4050.

Sincerely,  
s/Emil Jones, Jr.  
Senate President

cc: Senate Minority Leader Frank Watson

**OFFICE OF THE SENATE PRESIDENT  
STATE OF ILLINOIS**

EMIL JONES, JR.  
SENATE PRESIDENT

327 STATE CAPITOL  
Springfield, Illinois 62706

May 28, 2005

Ms. Linda Hawker  
Secretary of the Senate  
Room 403, State House  
Springfield, Illinois 62706

Dear Madam Secretary:

Pursuant to Senate Rule 2-10, I hereby establish May 31, 2005, as the Committee deadline and December 31, 2005 as the Third Reading deadline for House Bill 4053.

Sincerely,  
s/Emil Jones, Jr.  
Senate President

cc: Senate Minority Leader Frank Watson

**REPORT FROM RULES COMMITTEE**

Senator Viverito, Chairperson of the Committee on Rules, during its May 28, 2005 meeting, reported the following Joint Action Motions have been assigned to the indicated Standing Committees of the Senate:

Education: **Motion to Concur in House Amendments 1 and 2 to Senate Bill 1853**

Environment & Energy: **Motion to Concur in House Amendment 10 to Senate Bill 431**

Executive: **Motion to Concur in House Amendments 1 and 2 to Senate Bill 2038**

Health & Human Services: **Motion to Concur in House Amendments 1, 2 and 3 to Senate Bill 506; Motion to Recede from Senate Amendment 2 to House Bill 2531**

Judiciary: **Motion to Concur in House Amendment 1 to Senate Bill 1832; Motion to Concur in House Amendment 1 to Senate Bill 1962; Motion to Recede from Senate Amendment 6 to House Bill 350**

[May 28, 2005]



Pensions & Investments: **Motion to Concur in House Amendments 1 and 2 to Senate Bill 1446**

State Government: **Motion to Recede from Senate Amendment 1 to House Bill 1457**

Transportation: **Motion to Concur in House Amendment 1 to Senate Bill 1233**

Senator Viverito, Chairperson of the Committee on Rules, during its May 28, 2005 meeting, reported the following Legislative Measures have been assigned to the indicated Standing Committees of the Senate:

Executive: **Floor Amendment No. 1 to Senate Bill 1992; Floor Amendment No. 1 to House Bill 1038; House Bills 4050 and 4053.**

Health & Human Services: **Floor Amendment No. 1 to Senate Bill 955.**

Higher Education: **Floor Amendment No. 3 to Senate Bill 507.**

Licensed Activities: **Floor Amendment No. 1 to Senate Bill 1246.**

Transportation: **Floor Amendment No. 1 to Senate Bill 1127.**

#### POSTING NOTICES WAIVED

Senator Schoenberg moved to waive the six-day posting requirement on **House Bill No. 4053** so that the bill may be heard in the Committee on Executive that is scheduled to meet today.

The motion prevailed.

Senator Sandoval moved to waive the six-day posting requirement on **House Bill No. 4050** so that the bill may be heard in the Committee on Executive that is scheduled to meet today.

And on that motion, a call of the roll was had resulting as follows:

Yeas 29; Nays 28.

The following voted in the affirmative:

Collins	Halvorson	Martinez	Sullivan, J.
Crotty	Harmon	Meeks	Trotter
Cullerton	Hendon	Raoul	Viverito
del Valle	Hunter	Ronen	Wilhelmi
DeLeo	Jacobs	Sandoval	Mr. President
Demuzio	Lightford	Schoenberg	
Forby	Link	Shadid	
Garrett	Maloney	Silverstein	

The following voted in the negative:

Althoff	Haine	Radogno	Syverson
Bomke	Jones, J.	Rauschenberger	Watson
Brady	Jones, W.	Righter	Winkel
Burzynski	Lauzen	Risinger	Wojcik
Cronin	Luechtefeld	Roskam	
Dahl	Pankau	Rutherford	
Dillard	Peterson	Sieben	
Geo-Karis	Petka	Sullivan, D.	

[May 28, 2005]

This roll call verified.  
The motion lost.

### COMMITTEE MEETING ANNOUNCEMENTS

Senator Cullerton, Co-Chairperson of the Committee on Judiciary, announced that the Judiciary Committee will meet today in Room 212 Capitol Building, at 2:45 o'clock p.m.

Senator Cullerton, Vice-Chairperson of the Committee on Executive, announced that the Executive Committee will meet today in Room 212 Capitol Building, at 3:45 o'clock p.m.

Senator Maloney, Chairperson of the Committee on Higher Education, announced that the Higher Education Committee will meet today in Room 400 Capitol Building, at 3:30 o'clock p.m.

Senator Martinez, Chairperson of the Committee on Pensions & Investments, announced that the Pensions & Investments Committee will meet today in Room 400 Capitol Building, at 3:00 o'clock p.m.

Senator Garrett, Chairperson of the Committee on State Government, announced that the State Government Committee will meet today in Room A-1 Stratton Building, at 3:45 o'clock p.m.

Senator Shadid, Chairperson of the Committee on Transportation, announced that the Transportation Committee will meet today in Room 400 Capitol Building, at 2:45 o'clock p.m.

Senator Demuzio, Chairperson of the Committee on Licensed Activities, announced that the Licensed Activities Committee will meet today in Room A-1 Stratton Building, at 4:00 o'clock p.m.

Senator Ronen, Chairperson of the Committee on Health & Human Services, announced that the Health & Human Services Committee will meet today in Room 400 Capitol Building, at 3:15 o'clock p.m.

Senator Clayborne, Chairperson of the Committee on Environment & Energy, announced that the Environment & Energy Committee will meet today in Room 212 Capitol Building, at 3:15 o'clock p.m.

Senator del Valle, Chairperson of the Committee on Education, announced that the Education Committee will meet today in Room 212 Capitol Building, at 2:30 o'clock p.m.

### SENATE BILL RECALLED

On motion of Senator Trotter, **Senate Bill No. 665** was recalled from the order of third reading to the order of second reading.

Senator Trotter offered the following amendment and moved its adoption:

#### AMENDMENT NO. 1 TO SENATE BILL 665

AMENDMENT NO. 1. Amend Senate Bill 665 by replacing everything after the enacting clause with the following:

"Section 5. The General Obligation Bond Act is amended by changing Sections 2 and 4 as follows:  
(30 ILCS 330/2) (from Ch. 127, par. 652)

Sec. 2. Authorization for Bonds. The State of Illinois is authorized to issue, sell and provide for the retirement of General Obligation Bonds of the State of Illinois for the categories and specific purposes expressed in Sections 2 through 8 of this Act, in the total amount of ~~\$29,764,762,883~~ ~~\$27,658,149,369~~.

The bonds authorized in this Section 2 and in Section 16 of this Act are herein called "Bonds".

Of the total amount of Bonds authorized in this Act, up to \$2,200,000,000 in aggregate original principal amount may be issued and sold in accordance with the Baccalaureate Savings Act in the form of General Obligation College Savings Bonds.

Of the total amount of Bonds authorized in this Act, up to \$300,000,000 in aggregate original

[May 28, 2005]

principal amount may be issued and sold in accordance with the Retirement Savings Act in the form of General Obligation Retirement Savings Bonds.

Of the total amount of Bonds authorized in this Act, the additional \$10,000,000,000 authorized by this amendatory Act of the 93rd General Assembly shall be used solely as provided in Section 7.2.

The issuance and sale of Bonds pursuant to the General Obligation Bond Act is an economical and efficient method of financing the long-term capital needs of the State. This Act will permit the issuance of a multi-purpose General Obligation Bond with uniform terms and features. This will not only lower the cost of registration but also reduce the overall cost of issuing debt by improving the marketability of Illinois General Obligation Bonds.

(Source: P.A. 92-13, eff. 6-22-01; 92-596, eff. 6-28-02; 92-598, eff. 6-28-02; 93-2, eff. 4-7-03; 93-839, eff. 7-30-04.)

(30 ILCS 330/4) (from Ch. 127, par. 654)

Sec. 4. Transportation. The amount of ~~\$7,401,012,514~~ ~~\$5,313,399,000~~ is authorized for use by the Department of Transportation for the specific purpose of promoting and assuring rapid, efficient, and safe highway, air and mass transportation for the inhabitants of the State by providing monies, including the making of grants and loans, for the acquisition, construction, reconstruction, extension and improvement of the following transportation facilities and equipment, and for the acquisition of real property and interests in real property required or expected to be required in connection therewith as follows:

(a) ~~\$5,519,742,514~~ ~~\$3,432,129,000~~ for State highways, arterial highways, freeways, roads, bridges, structures separating highways and railroads and roads, and bridges on roads maintained by counties, municipalities, townships or road districts for the following specific purposes:

- (1) ~~\$5,417,613,514~~ ~~\$3,330,000,000~~ for use statewide,
- (2) \$3,677,000 for use outside the Chicago urbanized area,
- (3) \$7,543,000 for use within the Chicago urbanized area,
- (4) \$13,060,600 for use within the City of Chicago,
- (5) \$58,987,500 for use within the counties of Cook, DuPage, Kane, Lake, McHenry and Will, and
- (6) \$18,860,900 for use outside the counties of Cook, DuPage, Kane, Lake, McHenry and Will.

(b) \$1,529,670,000 for rail facilities and for mass transit facilities, as defined in Section 2705-305 of the Department of Transportation Law (20 ILCS 2705/2705-305), including rapid transit, rail, bus and other equipment used in connection therewith by the State or any unit of local government, special transportation district, municipal corporation or other corporation or public authority authorized to provide and promote public transportation within the State or two or more of the foregoing jointly, for the following specific purposes:

- (1) \$1,433,870,000 statewide,
- (2) \$83,350,000 for use within the counties of Cook, DuPage, Kane, Lake, McHenry and Will,
- (3) \$12,450,000 for use outside the counties of Cook, DuPage, Kane, Lake, McHenry and Will.

(c) \$351,600,000 for airport or aviation facilities and any equipment used in connection therewith, including engineering and land acquisition costs, by the State or any unit of local government, special transportation district, municipal corporation or other corporation or public authority authorized to provide public transportation within the State, or two or more of the foregoing acting jointly, and for the making of deposits into the Airport Land Loan Revolving Fund for loans to public airport owners pursuant to the Illinois Aeronautics Act.

(Source: P.A. 91-39, eff. 6-15-99; 91-239, eff. 1-1-00; 91-712, eff. 7-1-00; 92-13, eff. 6-22-01.)".

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

The motion prevailed.

And the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was ordered engrossed, and the bill, as amended was ordered to a third reading.

**READING OF BILL OF THE SENATE A THIRD TIME**

On motion of Senator Trotter, **Senate Bill No. 665**, having been transcribed and typed and all amendments adopted thereto having been printed, was taken up and read by title a third time.

And the question being, "Shall this bill pass?" it was decided in the negative by the following vote:

Yeas 32; Nays 25; Present 1.

The following voted in the affirmative:

Clayborne	Haine	Martinez	Sullivan, J.
Collins	Halvorson	Meeks	Trotter
Crotty	Harmon	Munoz	Viverito
Cullerton	Hendon	Raoul	Wilhelmi
del Valle	Hunter	Ronen	Mr. President
DeLeo	Jacobs	Sandoval	
Demuzio	Lightford	Schoenberg	
Forby	Link	Shadid	
Garrett	Maloney	Silverstein	

The following voted in the negative:

Althoff	Jones, J.	Radogno	Sullivan, D.
Bomke	Jones, W.	Rauschenberger	Syverson
Brady	Lauzen	Righter	Watson
Burzynski	Luechtefeld	Risinger	Winkel
Cronin	Pankau	Roskam	
Dahl	Peterson	Rutherford	
Geo-Karis	Petka	Sieben	

The following voted present:

Dillard

This bill, having failed to receive the vote of three-fifths of the members elected, was declared lost, and all amendments not adopted were tabled pursuant to Senate Rule No. 5-4(a).

**POSTING NOTICE WAIVED**

Senator Sandoval moved to waive the six-day posting requirement on **House Bill No. 4050** so that the bill may be heard in the Committee on Executive that is scheduled to meet May 28, 2005.

The motion prevailed.

**MESSAGES FROM THE HOUSE**

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the passage of a bill of the following title, to-wit:

SENATE BILL NO. 251

A bill for AN ACT concerning civil law.

Together with the following amendment which is attached, in the adoption of which I am instructed to ask the concurrence of the Senate, to-wit:

House Amendment No. 1 to SENATE BILL NO. 251

Passed the House, as amended, May 28, 2005.

[May 28, 2005]

MARK MAHONEY, Clerk of the House

**AMENDMENT NO. 1 TO SENATE BILL 251**

AMENDMENT NO. 1. Amend Senate Bill 251 by replacing everything after the enacting clause with the following:

"Section 5. The Recreational Use of Land and Water Areas Act is amended by changing Sections 1 and 2 as follows:

(745 ILCS 65/1) (from Ch. 70, par. 31)

Sec. 1. This Act shall be known and may be cited as the "Recreational Use of Land and Water Areas Act".

The purpose of this Act is to encourage owners of land to make land and water areas available to any individual or members of the public for recreational or conservation purposes by limiting their liability toward persons entering thereon for such purposes.

(Source: P.A. 85-959.)

(745 ILCS 65/2) (from Ch. 70, par. 32)

Sec. 2. As used in this Act, unless the context otherwise requires:

(a) "Land" includes roads, water, watercourses, private ways and buildings, structures, and machinery or equipment when attached to the realty, but does not include residential buildings or residential property.

(b) "Owner" includes the possessor of any interest in land, whether it be a tenant, lessee, occupant, the State of Illinois and its political subdivisions, or person in control of the premises.

(c) "Recreational or conservation purpose" means entry onto the land of another to conduct hunting or recreational shooting or a combination thereof or any activity solely related to the aforesaid hunting or recreational shooting ~~any activity undertaken for conservation, resource management, exercise, education, relaxation, or pleasure on land owned by another.~~

(d) "Charge" means an admission fee for permission to go upon the land, but does not include: the sharing of game, fish or other products of recreational use; or benefits to or arising from the recreational use; or contributions in kind, services or cash made for the purpose of properly conserving the land.

(e) "Person" includes any person, regardless of age, maturity, or experience, who enters upon or uses land for recreational purposes.

(Source: P.A. 85-959.)

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

Under the rules, the foregoing **Senate Bill No. 251**, with House Amendment No. 1 was referred to the Secretary's Desk.

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has refused to concur with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 2500

A bill for AN ACT concerning local government.

Which amendments are as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2500

Senate Amendment No. 3 to HOUSE BILL NO. 2500

Nonconcurrent in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

Under the rules, the foregoing **House Bill No. 2500**, with Senate Amendments numbered 1 and 3 was referred to the Secretary's Desk.

A message from the House by

Mr. Mahoney, Clerk:

[May 28, 2005]

Mr. President -- I am directed to inform the Senate that the House of Representatives has refused to concur with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 3480

A bill for AN ACT concerning education.

Which amendments are as follows:

Senate Amendment No. 2 to HOUSE BILL NO. 3480

Senate Amendment No. 3 to HOUSE BILL NO. 3480

Nonconcurring in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

Under the rules, the foregoing **House Bill No. 3480**, with Senate Amendments numbered 2 and 3 was referred to the Secretary's Desk.

**JOINT ACTION MOTIONS FILED**

The following Joint Action Motions to the House Bills listed below have been filed with the Secretary and referred to the Committee on Rules:

Motion to Recede from Senate Amendments 1 and 3 to House Bill 2500

Motion to Recede from Senate Amendments 2 and 3 to House Bill 3480

At the hour of 2:44 o'clock p.m., the Chair announced that the Senate stand at recess subject to the call of the Chair.

**AFTER RECESS**

At the hour of 4:50 o'clock p.m., the Senate resumed consideration of business.  
Senator Hendon, presiding.

**PRESENTATION OF RESOLUTIONS**

**SENATE RESOLUTION 254**

Offered by Senator Lightford and all Senators:

Mourns the death of Valerie Shavers of Chicago.

**SENATE RESOLUTION 255**

Offered by Senator Lightford and all Senators:

Mourns the death of Joseph Paul Abruzzo of LaGrange Park.

By unanimous consent, the foregoing resolutions were referred to the Resolutions Consent Calendar.

Senator Cullerton offered the following Senate Resolution, which was referred to the Committee on Rules:

**SENATE RESOLUTION NO. 256**

WHEREAS, Modern research suggests that marijuana is a valuable aid in the treatment of a wide range of clinical applications, including pain relief; controlling nausea and vomiting; stimulating appetite in patients suffering from HIV, AIDS wasting syndrome, or the side effects of chemotherapy; and reducing spasticity and other symptoms of movement disorders; and

WHEREAS, Research also shows that marijuana is a powerful appetite stimulant for patients suffering  
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from HIV, AIDS wasting syndrome, chronic pain, or the side effects of chemotherapy; and

WHEREAS, Many medical organizations, including the American Public Health Association, the National Academy of Sciences' Institute of Medicine, the U.S. National Institutes of Health Workshop on Medical Marijuana, the American Nurses Association, and the Illinois Nurses Association have investigated the medical use of marijuana and issued favorable findings; and

WHEREAS, Voters in eight states and the legislatures of two states have recognized the importance of the medical use of marijuana by adopting laws exempting patients who use marijuana under their physicians' supervision from state criminal penalties; and

WHEREAS, The State of Illinois has recognized the legitimacy of the medicinal use of marijuana by enacting Section 11 of the Cannabis Control Act, which establishes procedures for the possession, production, manufacture, and delivery of substances containing marijuana by persons engaged in research and when the authorization is requested by a licensed physician for the treatment of conditions that may benefit from the medicinal use of marijuana; therefore, be it

RESOLVED, BY THE SENATE OF THE NINETY-FOURTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we find that State law should make a distinction between the medical and non-medical use of marijuana; and be it further

RESOLVED, That the Director of Public Health shall establish a committee to investigate and assess options for legal protection that would allow seriously ill patients to use medical marijuana without facing criminal prosecution under State law; and be it further

RESOLVED, That the committee shall consist of the following members: (i) one representative of the Department of Public Health; (ii) one representative of the Department of Human Services; (iii) two members from the Senate, one chosen by the President of the Senate and the other by the Minority Leader; (iv) one member of the judiciary; (v) one representative of public defenders; (vi) one representative of the Department of State Police; (vii) two physicians, one of whom shall be a physician specializing in pain management; (viii) one nurse; (ix) one representative of an AIDS advocacy organization; (x) one representative from a health care advocacy organization; (xi) one person living with a serious illness, or the person's representative; (xii) one person experienced in palliative care; and (xiii) one representative of a seriously ill patient's family who serves or who has served as the patient's caregiver; and be it further

RESOLVED, That the Director of Public Health may appoint other non-voting members to ensure that the committee has the necessary expertise and experience to perform its duties; and be it further

RESOLVED, That all agencies and instrumentalities of the State shall assist and cooperate with the committee by providing the committee the information and analysis that the committee deems necessary for the performance of its duties, subject to applicable laws of privilege and confidentiality; the committee shall have all powers necessary to carry out its purposes; and be it further

RESOLVED, That at its first meeting, the committee shall choose a chairperson from among its membership; the Department of Public Health shall provide professional and administrative support for the committee; committee members who are not full-time employees of the State shall be entitled to travel expenses; and be it further

RESOLVED, That the committee must report its findings and recommendations to the Governor and to the General Assembly on or before February 1, 2006; the report shall:

- (1) make findings regarding the value of using marijuana to ameliorate symptoms associated with severe illnesses and the treatment of those illnesses, comparing marijuana to related prescription counterparts currently available in the United States or Canada;

- (2) summarize the experiences of medical providers, members of the criminal justice system, medical marijuana program administrators, and medical marijuana patients in states that

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permit the medical use of marijuana;

(3) summarize the effects of the prohibition of medical marijuana on patients in states that currently prohibit it and include in the summary: (i) testimony of persons arrested for using or growing medical marijuana; and (ii) the effects of their experience on their mental and physical health;

(4) identify the methods of providing and procuring marijuana for medical use that (i) reduce the risk of stigma and danger of prosecution for patients; (ii) reduce the risk that marijuana intended for medical uses will be obtained and used for non-medical purposes; and (iii) implement quality control measures that ensure that patients are not harmed by the medical use of marijuana; (iv) ensure proper State regulation of access to medical marijuana that establishes patient access to medical marijuana; and

(5) identify the range of daily marijuana use necessary to accomplish an ameliorative result and what plant limit is needed to cover that range per an individual patient, including in the summary testimony of patients in states where medical marijuana is legal regarding the sufficiency of other states' plant limits; and be it further

RESOLVED, That a copy of this resolution be delivered to the Director of Public Health.

#### MESSAGES FROM THE HOUSE

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has passed bills of the following titles, in the passage of which I am instructed to ask the concurrence of the Senate, to-wit:

HOUSE BILL NO. 3092

A bill for AN ACT concerning education.

HOUSE BILL NO. 3814

A bill for AN ACT concerning transportation.

HOUSE BILL NO. 3871

A bill for AN ACT concerning State government.

Passed the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

The foregoing **House Bills Numbered 3092, 3814 and 3871** were taken up, ordered printed and placed on first reading.

#### READING BILLS FROM THE HOUSE OF REPRESENTATIVES A FIRST TIME

**House Bill No. 3092**, sponsored by Senator Halvorson, was taken up, read by title a first time and referred to the Committee on Rules.

**House Bill No. 3814**, sponsored by Senator J. Sullivan, was taken up, read by title a first time and referred to the Committee on Rules.

#### REPORTS FROM STANDING COMMITTEES

Senator Lightford, Chairperson of the Committee on Education, to which was referred the following Senate floor amendment, reported that the Committee recommends do adopt:

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Motion to Concur in House Amendments 1 and 2 to Senate Bill 1853

Under the rules, the foregoing floor amendment is eligible for consideration on second reading.

Senator Munoz, Chairperson of the Committee on Transportation, to which was referred the Motion to Concur with House Amendment to the following Senate Bill, reported that the Committee recommends do adopt:

Motion to Concur in House Amendment 1 to Senate Bill 1233

Under the rules, the foregoing Motion is eligible for consideration by the Senate.

Senators Cullerton and Dillard, Co-Chairpersons of the Committee on Judiciary, to which was referred the Motion to Concur with House Amendment to the following Senate Bill, reported that the Committee recommends do adopt:

Motion to Concur in House Amendment 1 to Senate Bill 1832

Under the rules, the foregoing Motion is eligible for consideration by the Senate.

Senators Cullerton and Dillard, Co-Chairpersons of the Committee on Judiciary, to which was referred the Motion to Recede from Senate Amendment to the following House Bill, reported that the Committee recommends do adopt:

Motion to Recede from Senate Amendment 6 to House Bill 350

Under the rules, the foregoing motion is eligible for consideration by the Senate.

Senator Martinez, Chairperson of the Committee on Pensions & Investments, to which was referred the Motion to Concur with House Amendment to the following Senate Bill, reported that the Committee recommends that it be adopted:

Motion to Concur in House Amendments 1 and 2 to Senate Bill 1446

Under the rules, the foregoing Motion is eligible for consideration by the Senate.

Senator Ronen, Chairperson of the Committee on Health & Human Services, to which was referred the Motion to Concur with House Amendment to the following Senate Bill, reported that the Committee recommends that it be adopted:

Motion to Concur in House Amendments 1, 2 and 3 to Senate Bill 506

Under the rules, the foregoing Motion is eligible for consideration by the Senate.

Senator Ronen, Chairperson of the Committee on Health & Human Services, to which was referred the Motion to Recede from Senate Amendment to the following House Bill, reported that the Committee recommends that it be adopted:

Motion to Recede from Senate Amendment 2 to House Bill 2531

Under the rules, the foregoing Motion is eligible for consideration by the Senate.

Senator Ronen, Chairperson of the Committee on Health & Human Services, to which was referred the following Senate floor amendments, reported that the Committee recommends that they be adopted:

Senate Amendment No. 1 to Senate Bill 955

Under the rules, the foregoing floor amendments are eligible for consideration on second reading.

Senator Clayborne, Chairperson of the Committee on Environment & Energy, to which was referred the following Senate floor amendment, reported that the Committee recommends do adopt:

House Amendment No. 10 to Senate Bill 431

Under the rules, the foregoing floor amendment is eligible for consideration on second reading.

Senator Maloney, Chairperson of the Committee on Higher Education, to which was referred the following Senate floor amendment, reported that the Committee recommends do adopt:

Senate Amendment No. 3 to Senate Bill 507

Under the rules, the foregoing floor amendment is eligible for consideration on second reading.

Senator Garrett, Chairperson of the Committee on State Government, to which was referred the Motion to Recede from Senate Amendment to the following House Bill, reported that the Committee recommends do adopt:

Motion to Recede from Senate Amendment 1 to House Bill 1457

Under the rules, the foregoing motion is eligible for consideration by the Senate.

Senator Silverstein, Chairperson of the Committee on Executive to which was referred **House Bills numbered 4050 and 4053**, reported the same back with the recommendation that the bills do pass.

Under the rules, the bills were ordered to a second reading.

Senator Silverstein, Chairperson of the Committee on Executive, to which was referred the Motion to Concur with House Amendment to the following Senate Bill, reported that the Committee recommends do adopt:

Motion to Concur in House Amendments 1 and 2 to Senate Bill 2038

Under the rules, the foregoing Motion is eligible for consideration by the Senate.

Senator Demuzio, Chairperson of the Committee on Licensed Activities, to which was referred the following Senate floor amendment, reported that the Committee recommends do adopt:

Senate Amendment No. 1 to Senate Bill 1246

Under the rules, the foregoing floor amendment is eligible for consideration on second reading.

### MESSAGES FROM THE HOUSE

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the passage of a bill of the following title, to-wit:

SENATE BILL NO. 13

A bill for AN ACT concerning finance.

Together with the following amendments which are attached, in the adoption of which I am instructed to ask the concurrence of the Senate, to-wit:

House Amendment No. 1 to SENATE BILL NO. 13

House Amendment No. 2 to SENATE BILL NO. 13

Passed the House, as amended, May 28, 2005.

MARK MAHONEY, Clerk of the House

[May 28, 2005]

**AMENDMENT NO. 1 TO SENATE BILL 13**

AMENDMENT NO. 1. Amend Senate Bill 13 by replacing everything after the enacting clause with the following:

"Section 5. The State Prompt Payment Act is amended by changing Section 7 as follows:

(30 ILCS 540/7) (from Ch. 127, par. 132.407)

Sec. 7. Payments to subcontractors and material suppliers.

(a) When a State official or agency responsible for administering a contract submits a voucher to the Comptroller for payment to a contractor, that State official or agency shall promptly make available electronically the voucher number, the date of the voucher, and the amount of the voucher. The State official or agency responsible for administering the contract shall provide subcontractors and material suppliers, known to the State official or agency, with instructions on how to access the electronic information. When a contractor receives any payment, the contractor shall pay each subcontractor and material supplier in proportion to the work completed by each subcontractor and material supplier their application less any retention. If the contractor receives less than the full payment due under the public construction contract, the contractor shall be obligated to disburse on a pro rata basis those funds received, with the contractor, subcontractors and material suppliers each receiving a prorated portion based on the amount of payment. When, however, the public owner does not release the full payment due under the contract because there are specific areas of work or materials the contractor is rejecting or because the contractor has otherwise determined such areas are not suitable for payment, then those specific subcontractors or suppliers involved shall not be paid for that portion of work rejected or deemed not suitable for payment and all other subcontractors and suppliers shall be paid in full.

(b) If the contractor, without reasonable cause, fails to make full ~~any~~ payment of amounts due under subsection (a) to his subcontractors and material suppliers within 15 days after receipt of payment under the public construction contract, the contractor shall pay to his subcontractors and material suppliers, in addition to the payment due them, interest in the amount of ~~4%~~ 2% per month, calculated from the expiration of the 15-day period until fully paid. This subsection shall also apply to any payments made by subcontractors and material suppliers to their subcontractors and material suppliers and to all payments made to lower tier subcontractors and material suppliers throughout the contracting chain.

(1) If a contractor, without reasonable cause, fails to make payment in full as provided in subsection (a) within 15 days after receipt of payment under the public construction contract, any subcontractor or material supplier to whom payments are owed may file a written notice with the State official or agency setting forth the amount owed by the contractor and the contractor's failure to timely pay the amount owed.

(2) The State official or agency, within 15 days after receipt of a subcontractor's or material supplier's written notice of the failure to receive payment from the contractor, shall hold a hearing convened by an administrative law judge to determine whether the contractor withheld payment, without reasonable cause, from the subcontractors and material suppliers and what amount, if any, is due to the subcontractors and material suppliers. The State official or agency shall provide appropriate notice to the parties of the date, time, and location of the hearing. Each contractor, subcontractor, and material supplier has the right to be represented by counsel at the hearing and to cross-examine witnesses and challenge documents.

(3) If there is a finding by the administrative law judge that the contractor failed to make payment in full, without reasonable cause, as provided in subsection (a), then the administrative law judge shall, in writing, direct the contractor to pay the amount owed to the subcontractors and material suppliers plus interest within 15 days after the finding.

(4) If a contractor fails to make full payment within 15 days after the administrative law judge's finding, then the contractor shall be barred from entering into a State public construction contract for a period of one year beginning on the date of the administrative law judge's finding.

(Source: P.A. 87-773.)"

**AMENDMENT NO. 2 TO SENATE BILL 13**

AMENDMENT NO. 2. Amend Senate Bill 13 by replacing everything after the enacting clause with the following:

"Section 5. The State Prompt Payment Act is amended by changing Section 7 as follows:

(30 ILCS 540/7) (from Ch. 127, par. 132.407)

Sec. 7. Payments to subcontractors and material suppliers.

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(a) When a State official or agency responsible for administering a contract submits a voucher to the Comptroller for payment to a contractor, that State official or agency shall promptly make available electronically the voucher number, the date of the voucher, and the amount of the voucher. The State official or agency responsible for administering the contract shall provide subcontractors and material suppliers, known to the State official or agency, with instructions on how to access the electronic information. When a contractor receives any payment, the contractor shall pay each subcontractor and material supplier in proportion to the work completed by each subcontractor and material supplier their application less any retention. If the contractor receives less than the full payment due under the public construction contract, the contractor shall be obligated to disburse on a pro rata basis those funds received, with the contractor, subcontractors and material suppliers each receiving a prorated portion based on the amount of payment. When, however, the public owner does not release the full payment due under the contract because there are specific areas of work or materials the contractor is rejecting or because the contractor has otherwise determined such areas are not suitable for payment, then those specific subcontractors or suppliers involved shall not be paid for that portion of work rejected or deemed not suitable for payment and all other subcontractors and suppliers shall be paid in full.

(b) If the contractor, without reasonable cause, fails to make full any payment of amounts due under subsection (a) to his subcontractors and material suppliers within 15 days after receipt of payment under the public construction contract, the contractor shall pay to his subcontractors and material suppliers, in addition to the payment due them, interest in the amount of 2% per month, calculated from the expiration of the 15-day period until fully paid. This subsection shall also apply to any payments made by subcontractors and material suppliers to their subcontractors and material suppliers and to all payments made to lower tier subcontractors and material suppliers throughout the contracting chain.

(1) If a contractor, without reasonable cause, fails to make payment in full as provided in subsection (a) within 15 days after receipt of payment under the public construction contract, any subcontractor or material supplier to whom payments are owed may file a written notice with the State official or agency setting forth the amount owed by the contractor and the contractor's failure to timely pay the amount owed.

(2) The State official or agency, within 15 days after receipt of a subcontractor's or material supplier's written notice of the failure to receive payment from the contractor, shall hold a hearing convened by an administrative law judge to determine whether the contractor withheld payment, without reasonable cause, from the subcontractors and material suppliers and what amount, if any, is due to the subcontractors and material suppliers. The State official or agency shall provide appropriate notice to the parties of the date, time, and location of the hearing. Each contractor, subcontractor, and material supplier has the right to be represented by counsel at the hearing and to cross-examine witnesses and challenge documents.

(3) If there is a finding by the administrative law judge that the contractor failed to make payment in full, without reasonable cause, as provided in subsection (a), then the administrative law judge shall, in writing, direct the contractor to pay the amount owed to the subcontractors and material suppliers plus interest within 15 days after the finding.

(4) If a contractor fails to make full payment within 15 days after the administrative law judge's finding, then the contractor shall be barred from entering into a State public construction contract for a period of one year beginning on the date of the administrative law judge's finding.

(Source: P.A. 87-773.)"

Under the rules, the foregoing **Senate Bill No. 13**, with House Amendments numbered 1 and 2 was referred to the Secretary's Desk.

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the passage of a bill of the following title, to-wit:

SENATE BILL NO. 157

A bill for AN ACT concerning hospitals.

Together with the following amendments which are attached, in the adoption of which I am instructed to ask the concurrence of the Senate, to-wit:

House Amendment No. 1 to SENATE BILL NO. 157

House Amendment No. 2 to SENATE BILL NO. 157

Passed the House, as amended, May 28, 2005.

[May 28, 2005]

MARK MAHONEY, Clerk of the House

**AMENDMENT NO. 1 TO SENATE BILL 157**

AMENDMENT NO. 1. Amend Senate Bill 157 by replacing everything after the enacting clause with the following:

"ARTICLE 5.

Section 5-1. Short title. This Article may be cited as the Public Health Program Beneficiary Employer Disclosure Law. References in this Article to "this Law" mean this Article.

Section 5-5. Definition. In this Law, "public health program" means either of the following:

- (1) The medical assistance program under Article V of the Illinois Public Aid Code.
- (2) The children's health insurance program under the Children's Health Insurance Program Act.

Section 5-10. Disclosure of employer required. An applicant for health care benefits under a public health program, or a person requesting uncompensated care in a hospital, may identify the employer or employers of the proposed beneficiary of the health care benefits. If the proposed public health program beneficiary is not employed, the applicant may identify the employer or employers of any adult who is responsible for providing all or some of the proposed beneficiary's support.

Section 5-15. Reporting of employer-provided health insurance information.

(a) Hospitals required to report information on the uncompensated care they provide pursuant to federal Medicare cost reporting shall determine, from information that may be provided by a person receiving uncompensated or charity care, whether that person is employed, and if the person is employed the identity of the employer. The hospital shall annually submit to the Department a summary report of the employment status information obtained from persons receiving uncompensated or charity care, including available information regarding the cost of the care provided and the number of persons employed by each identified employer.

(b) Notwithstanding any other law to the contrary, the Department of Public Aid or its successor agency, in collaboration with the Department of Human Services and the Department of Financial and Professional Regulation, shall annually prepare a public health access program beneficiary employer report to be submitted to the General Assembly. For the purposes of this Section, a "public health access program beneficiary" means a person who receives medical assistance under Title XIX or XXI of the federal Social Security Act.

Subject to federal approval, the report shall provide the following information for each employer who has more than 100 employees and 25 or more public health access program beneficiaries:

- (1) The name and address of the qualified employer.
- (2) The number of public health access program beneficiaries.
- (3) The number of persons requesting uncompensated or charity care from the hospitals required to report under this Section and the cost of that care.
- (4) The number of public health access program beneficiaries who are spouses or dependents of employees of the employer.
- (5) Information on whether the employer offers health insurance benefits to employees and their dependents.
- (6) Information on whether the employer receives health insurance benefits through the company.
- (7) Whether an employer offers health insurance benefits, and, if so, information on the level of premium subsidies for such health insurance.
- (8) The cost to the State of Illinois of providing public health access program benefits for the employer's employees and enrolled dependents.

(c) The report shall not include the names of any individual public health access program beneficiary and shall be subject to privacy standards both in the Health Insurance Portability and Accountability Act of 1996 and in Title XIX of the federal Social Security Act.

(d) The first report shall be submitted on or before October 1, 2006, and subsequent reports shall be submitted on or before that date each year thereafter.

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Section 5-90. Repeal. This Law is repealed on January 1, 2009.

#### ARTICLE 10.

Section 10-1. Short title. This Article may be cited as the Illinois Adverse Health Care Events Reporting Law of 2005. References in this Article to "this Law" mean this Article.

Section 10-5. Purpose. The sole purpose of this Law is to establish an adverse health care event reporting system designed to facilitate quality improvement in the health care system through communication and collaboration between the Department and health care facilities. The reporting system established under this Law shall not be designed or used to punish errors or to investigate or take disciplinary action against health care facilities, health care practitioners, or health care facility employees.

Section 10-10. Definitions. As used in this Law, the following terms have the following meanings:  
 "Adverse health care event" means any event described in subsections (b) through (g) of Section 10-15.

"Department" means the Illinois Department of Public Health.

"Health care facility" means a hospital maintained by the State or any department or agency thereof where such department or agency has authority under law to establish and enforce standards for the hospital under its management and control, a hospital maintained by any university or college established under the laws of this State and supported principally by public funds raised by taxation, a hospital licensed under the Hospital Licensing Act, a hospital organized under the University of Illinois Hospital Act, and an ambulatory surgical treatment center licensed under the Ambulatory Surgical Treatment Center Act.

Section 10-15. Health care facility requirements to report, analyze, and correct.

(a) Reports of adverse health care events required. Each health care facility shall report to the Department the occurrence of any of the adverse health care events described in subsections (b) through (g) no later than 30 days after discovery of the event. The report shall be filed in a format specified by the Department and shall identify the health care facility, but shall not include any information identifying or that tends to identify any of the health care professionals, employees, or patients involved.

(b) Surgical events. Events reportable under this subsection are:

(1) Surgery performed on a wrong body part that is not consistent with the documented informed consent for that patient. Reportable events under this clause do not include situations requiring prompt action that occur in the course of surgery or situations whose urgency precludes obtaining informed consent.

(2) Surgery performed on the wrong patient.

(3) The wrong surgical procedure performed on a patient that is not consistent with the documented informed consent for that patient. Reportable events under this clause do not include situations requiring prompt action that occur in the course of surgery or situations whose urgency precludes obtaining informed consent.

(4) Retention of a foreign object in a patient after surgery or other procedure, excluding objects intentionally implanted as part of a planned intervention and objects present prior to surgery that are intentionally retained.

(5) Death during or immediately after surgery of a normal, healthy patient who has no organic, physiologic, biochemical, or psychiatric disturbance and for whom the pathologic processes for which the operation is to be performed are localized and do not entail a systemic disturbance.

(c) Product or device events. Events reportable under this subsection are:

(1) Patient death or serious disability associated with the use of contaminated drugs, devices, or biologics provided by the health care facility when the contamination is the result of generally detectable contaminants in drugs, devices, or biologics regardless of the source of the contamination or the product.

(2) Patient death or serious disability associated with the use or function of a device in patient care in which the device is used or functions other than as intended. "Device" includes, but is not limited to, catheters, drains, and other specialized tubes, infusion pumps, and ventilators.

(3) Patient death or serious disability associated with intravascular air embolism that occurs while being cared for in a health care facility, excluding deaths associated with neurosurgical

procedures known to present a high risk of intravascular air embolism.

(d) Patient protection events. Events reportable under this subsection are:

- (1) An infant discharged to the wrong person.
- (2) Patient death or serious disability associated with patient disappearance for more than 4 hours, excluding events involving adults who have decision-making capacity.
- (3) Patient suicide or attempted suicide resulting in serious disability while being cared for in a health care facility due to patient actions after admission to the health care facility, excluding deaths resulting from self-inflicted injuries that were the reason for admission to the health care facility.

(e) Care management events. Events reportable under this subsection are:

- (1) Patient death or serious disability associated with a medication error, including, but not limited to, errors involving the wrong drug, the wrong dose, the wrong patient, the wrong time, the wrong rate, the wrong preparation, or the wrong route of administration, excluding reasonable differences in clinical judgment on drug selection and dose.
- (2) Patient death or serious disability associated with a hemolytic reaction due to the administration of ABO-incompatible blood or blood products.
- (3) Maternal death or serious disability associated with labor or delivery in a low-risk pregnancy while being cared for in a health care facility, excluding deaths from pulmonary or amniotic fluid embolism, acute fatty liver of pregnancy, or cardiomyopathy.
- (4) Patient death or serious disability directly related to hypoglycemia, the onset of which occurs while the patient is being cared for in a health care facility for a condition unrelated to hypoglycemia.

(f) Environmental events. Events reportable under this subsection are:

- (1) Patient death or serious disability associated with an electric shock while being cared for in a health care facility, excluding events involving planned treatments such as electric countershock.
- (2) Any incident in which a line designated for oxygen or other gas to be delivered to a patient contains the wrong gas or is contaminated by toxic substances.
- (3) Patient death or serious disability associated with a burn incurred from any source while being cared for in a health care facility that is not consistent with the documented informed consent for that patient. Reportable events under this clause do not include situations requiring prompt action that occur in the course of surgery or situations whose urgency precludes obtaining informed consent.
- (4) Patient death associated with a fall while being cared for in a health care facility.
- (5) Patient death or serious disability associated with the use of restraints or bedrails while being cared for in a health care facility.

(g) Physical security events. Events reportable under this subsection are:

- (1) Any instance of care ordered by or provided by someone impersonating a physician, nurse, pharmacist, or other licensed health care provider.
- (2) Abduction of a patient of any age.
- (3) Sexual assault on a patient within or on the grounds of a health care facility.
- (4) Death or significant injury of a patient or staff member resulting from a physical assault that occurs within or on the grounds of a health care facility.

(h) Definitions. As used in this Section 10-15:

"Death" means patient death that would not have occurred but for an event described in this Section.

"Serious disability" means a physical or mental impairment that would not have occurred but for an event described in this Section that substantially limits one or more of the major life activities of an individual or a loss of bodily function, if the impairment or loss lasts more than 7 days prior to discharge or is still present at the time of discharge from an inpatient health care facility.

Section 10-20. Root cause analysis; corrective action plan. Following the occurrence of an adverse health care event, the health care facility must conduct a root cause analysis of the event. Following the analysis, the health care facility must (i) implement a corrective action plan to address the findings of the analysis or (ii) report to the Department any reasons for not taking corrective action. A copy of the findings of the root cause analysis and a copy of the corrective action plan must be filed with the Department within 90 days after the submission of the report to the Department under Section 10-15.

Section 10-25. Confidentiality. Other than the annual report required under paragraph (4) of Section

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10-35 of this Law, adverse health care event reports, findings of root cause analyses, and corrective action plans filed by a health care facility under this Law and records created or obtained by the Department in reviewing or investigating these reports, findings, and plans shall not be available to the public and shall not be discoverable or admissible in any civil, criminal, or administrative proceeding against a health care facility or health care professional. No report or Department disclosure under this Law may contain information identifying a patient, employee, or licensed professional. Notwithstanding any other provision of law, under no circumstances shall the Department disclose information obtained from a health care facility that is confidential under Part 21 of Article VIII of the Code of Civil Procedure. Nothing in this Law shall preclude or alter the reporting responsibilities of hospitals or ambulatory surgical treatment centers under existing federal or State law.

Section 10-30. Establishment of reporting system.

(a) The Department shall establish an adverse health event reporting system that will be fully operational by January 1, 2008 and designed to facilitate quality improvement in the health care system through communication and collaboration among the Department and health care facilities. The reporting system shall not be designed or used to punish errors or investigate or take disciplinary action against health care facilities, health care practitioners, or health care facility employees. The Department may not use the adverse health care event reports, findings of the root cause analyses, and corrective action plans filed under this Law for any purpose not stated in this Law, including, but not limited to, using such information for investigating possible violations of the reporting health care facility's licensing act or its regulations. The Department is not authorized to select from or between competing alternate health care treatments, services, or practices.

(b) The reporting system shall consist of:

(1) Mandatory reporting by health care facilities of adverse health care events.

(2) Mandatory completion of a root cause analysis and a corrective action plan by the health care facility and reporting of the findings of the analysis and the plan to the Department or reporting of reasons for not taking corrective action.

(3) Analysis of reported information by the Department to determine patterns of systemic failure in the health care system and successful methods to correct these failures.

(4) Sanctions against health care facilities for failure to comply with reporting system requirements.

(5) Communication from the Department to health care facilities, to maximize the use of the reporting system to improve health care quality.

(c) In establishing the adverse health event reporting system, including the design of the reporting format and annual report, the Department must consult with and seek input from experts and organizations specializing in patient safety.

(d) The Department must design the reporting system so that a health care facility may file by electronic means the reports required under this Law. The Department shall encourage a health care facility to use the electronic filing option when that option is feasible for the health care facility.

(e) Nothing in this Section prohibits a health care facility from taking any remedial action in response to the occurrence of an adverse health care event.

Section 10-35. Analysis of reports; communication of findings. The Department shall do the following:

(1) Analyze adverse event reports, corrective action plans, and findings of the root cause analyses to determine patterns of systemic failure in the health care system and successful methods to correct these failures.

(2) Communicate to individual health care facilities the Department's conclusions, if any, regarding an adverse event reported by the health care facility.

(3) Communicate to relevant health care facilities any recommendations for corrective action resulting from the Department's analysis of submissions from facilities.

(4) Publish an annual report that does the following:

(i) Describes, by institution, adverse health care events reported.

(ii) Summarizes, in aggregate form, the types of corrective action plans implemented by health care facilities collectively.

(iii) Describes adopted recommendations for quality improvement practices.

Section 10-40. Health Care Event Reporting Advisory Committee. The Department shall appoint a 9-person Health Care Event Reporting Advisory Committee with at least one member from each of the



following statewide organizations: one representing hospitals; one representing ambulatory surgical treatment centers; and one representing physicians licensed to practice medicine in all its branches. The committee shall also include other individuals who have expertise and experience in system-based quality improvement and safety and shall include one public member. At least 3 of the 9 members shall be individuals who do not have a financial interest in, or a business relationship with, hospitals or ambulatory surgical treatment centers. The Health Care Event Reporting Advisory Committee shall, when possible, make recommendations for potential quality improvement practices and modifications to the list of reportable adverse health care events consistent with national standards. Prior to adoption of any recommendations, the committee shall conduct a public hearing seeking input from health care facilities, health care professionals, and the public.

Section 10-45. Testing period.

(a) Prior to the testing period in subsection (b), the Department shall adopt rules for implementing this Law in consultation with the Health Care Event Reporting Advisory Committee and individuals who have experience and expertise in devising and implementing adverse health care event or other health care quality reporting systems. The rules shall establish the methodology and format for health care facilities reporting information under this Law to the Department and shall be finalized before the beginning of the testing period under subsection (b).

(b) The Department shall conduct a testing period of at least 6 months to test the reporting process to identify any problems or deficiencies with the planned reporting process.

(c) None of the information reported and analyzed during the testing period shall be used in any public report under this Law.

(d) The Department must address problems or deficiencies identified during the testing period before fully implementing the reporting system.

(e) After the testing period, and after any corrections, adjustments, or modifications are finalized, the Department must give at least 30 days written notice to health care facilities prior to full implementation of the reporting system and collection of adverse event data that will be used in public reports.

(f) Following the testing period, 4 calendar quarters of data must be collected prior to the Department's publishing the annual report of adverse events to the public under paragraph (4) of Section 10-35.

(g) The process described in subsections (a) through (e) must be completed by the Department no later than July 1, 2007.

(h) Notwithstanding any other provision of law, the Department may contract with an entity for receiving all adverse health care event reports, root cause analysis findings, and corrective action plans that must be reported to the Department under this Law and for the compilation of the information and the provision of quarterly and annual reports to the Department describing such information according to the rules adopted by the Department under this Law.

Section 10-50. Validity of public reports. None of the information the Department discloses to the public may be made available in any form or fashion unless such information is shared with the health care facilities under review prior to public dissemination of such information. Those health care facilities shall have 30 days to make corrections and to add helpful explanatory comments about the information before the publication.

ARTICLE 90.

Section 90-5. The Ambulatory Surgical Treatment Center Act is amended by changing Section 10d as follows:

(210 ILCS 5/10d) (from Ch. 111 1/2, par. 157-8.10d)

Sec. 10d. Fines and penalties.

(a) When the Director determines that a facility has failed to comply with this Act or the Illinois Adverse Health Care Events Reporting Law of 2005 or any rule adopted under either of those Acts hereunder, the Department may issue a notice of fine assessment which shall specify the violations for which the fine is assessed. The Department may assess a fine of up to \$500 per violation per day commencing on the date the violation was identified and ending on the date the violation is corrected, or action is taken to suspend, revoke or deny renewal of the license, whichever comes first.

(b) In determining whether a fine is to be assessed or the amount of such fine, the Director shall consider the following factors:

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(1) The gravity of the violation, including the probability that death or serious physical or mental harm to a patient will result or has resulted, the severity of the actual or potential harm, and the extent to which the provisions of the applicable statutes or rules were violated;

(2) The reasonable diligence exercised by the licensee and efforts to correct violations;

(3) Any previous violations committed by the licensee; and

(4) The financial benefit to the facility of committing or continuing the violation.

(Source: P.A. 86-1292.)

Section 90-10. The Hospital Licensing Act is amended by changing Section 7 as follows:  
(210 ILCS 85/7) (from Ch. 111 1/2, par. 148)

Sec. 7. (a) The Director after notice and opportunity for hearing to the applicant or licensee may deny, suspend, or revoke a permit to establish a hospital or deny, suspend, or revoke a license to open, conduct, operate, and maintain a hospital in any case in which he finds that there has been a substantial failure to comply with the provisions of this Act, ~~or the Hospital Report Card Act~~ or the Illinois Adverse Health Care Events Reporting Law of 2005 or the standards, rules, and regulations established by virtue of any either of those Acts.

(b) Such notice shall be effected by registered mail or by personal service setting forth the particular reasons for the proposed action and fixing a date, not less than 15 days from the date of such mailing or service, at which time the applicant or licensee shall be given an opportunity for a hearing. Such hearing shall be conducted by the Director or by an employee of the Department designated in writing by the Director as Hearing Officer to conduct the hearing. On the basis of any such hearing, or upon default of the applicant or licensee, the Director shall make a determination specifying his findings and conclusions. In case of a denial to an applicant of a permit to establish a hospital, such determination shall specify the subsection of Section 6 under which the permit was denied and shall contain findings of fact forming the basis of such denial. A copy of such determination shall be sent by registered mail or served personally upon the applicant or licensee. The decision denying, suspending, or revoking a permit or a license shall become final 35 days after it is so mailed or served, unless the applicant or licensee, within such 35 day period, petitions for review pursuant to Section 13.

(c) The procedure governing hearings authorized by this Section shall be in accordance with rules promulgated by the Department and approved by the Hospital Licensing Board. A full and complete record shall be kept of all proceedings, including the notice of hearing, complaint, and all other documents in the nature of pleadings, written motions filed in the proceedings, and the report and orders of the Director and Hearing Officer. All testimony shall be reported but need not be transcribed unless the decision is appealed pursuant to Section 13. A copy or copies of the transcript may be obtained by any interested party on payment of the cost of preparing such copy or copies.

(d) The Director or Hearing Officer shall upon his own motion, or on the written request of any party to the proceeding, issue subpoenas requiring the attendance and the giving of testimony by witnesses, and subpoenas duces tecum requiring the production of books, papers, records, or memoranda. All subpoenas and subpoenas duces tecum issued under the terms of this Act may be served by any person of full age. The fees of witnesses for attendance and travel shall be the same as the fees of witnesses before the Circuit Court of this State, such fees to be paid when the witness is excused from further attendance. When the witness is subpoenaed at the instance of the Director, or Hearing Officer, such fees shall be paid in the same manner as other expenses of the Department, and when the witness is subpoenaed at the instance of any other party to any such proceeding the Department may require that the cost of service of the subpoena or subpoena duces tecum and the fee of the witness be borne by the party at whose instance the witness is summoned. In such case, the Department in its discretion, may require a deposit to cover the cost of such service and witness fees. A subpoena or subpoena duces tecum issued as aforesaid shall be served in the same manner as a subpoena issued out of a court.

(e) Any Circuit Court of this State upon the application of the Director, or upon the application of any other party to the proceeding, may, in its discretion, compel the attendance of witnesses, the production of books, papers, records, or memoranda and the giving of testimony before the Director or Hearing Officer conducting an investigation or holding a hearing authorized by this Act, by an attachment for contempt, or otherwise, in the same manner as production of evidence may be compelled before the court.

(f) The Director or Hearing Officer, or any party in an investigation or hearing before the Department, may cause the depositions of witnesses within the State to be taken in the manner prescribed by law for like depositions in civil actions in courts of this State, and to that end compel the attendance of witnesses and the production of books, papers, records, or memoranda.

[May 28, 2005]

(Source: P.A. 93-563, eff. 1-1-04.)

Section 90-15. The Illinois Public Aid Code is amended by changing Sections 5A-1, 5A-2, 5A-3, 5A-4, 5A-5, 5A-7, 5A-8, 5A-10, 5A-13, and 5A-14 and by adding Section 5A-12.1 as follows:

(305 ILCS 5/5A-1) (from Ch. 23, par. 5A-1)

Sec. 5A-1. Definitions. As used in this Article, unless the context requires otherwise:

"Adjusted gross hospital revenue" shall be determined separately for inpatient and outpatient services for each hospital conducted, operated or maintained by a hospital provider, and means the hospital provider's total gross revenues less: (i) gross revenue attributable to non-hospital based services including home dialysis services, durable medical equipment, ambulance services, outpatient clinics and any other non-hospital based services as determined by the Illinois Department by rule; and (ii) gross revenues attributable to the routine services provided to persons receiving skilled or intermediate long-term care services within the meaning of Title XVIII or XIX of the Social Security Act; and (iii) Medicare gross revenue (excluding the Medicare gross revenue attributable to clauses (i) and (ii) of this paragraph and the Medicare gross revenue attributable to the routine services provided to patients in a psychiatric hospital, a rehabilitation hospital, a distinct part psychiatric unit, a distinct part rehabilitation unit, or swing beds). Adjusted gross hospital revenue shall be determined using the most recent data available from each hospital's 2003 Medicare cost report as contained in the Healthcare Cost Report Information System file, for the quarter ending on December 31, 2004, without regard to any subsequent adjustments or changes to such data. If a hospital's 2003 Medicare cost report is not contained in the Healthcare Cost Report Information System, the hospital provider shall furnish such cost report or the data necessary to determine its adjusted gross hospital revenue as required by rule by the Illinois Department.

"Fund" means the Hospital Provider Fund.

"Hospital" means an institution, place, building, or agency located in this State that is subject to licensure by the Illinois Department of Public Health under the Hospital Licensing Act, whether public or private and whether organized for profit or not-for-profit.

"Hospital provider" means a person licensed by the Department of Public Health to conduct, operate, or maintain a hospital, regardless of whether the person is a Medicaid provider. For purposes of this paragraph, "person" means any political subdivision of the State, municipal corporation, individual, firm, partnership, corporation, company, limited liability company, association, joint stock association, or trust, or a receiver, executor, trustee, guardian, or other representative appointed by order of any court.

"Occupied bed days" means the sum of the number of days that each bed was occupied by a patient for all beds during calendar year 2001. Occupied bed days shall be computed separately for each hospital operated or maintained by a hospital provider.

"Proration factor" means a fraction, the numerator of which is 53 and the denominator of which is 365.

(Source: P.A. 93-659, eff. 2-3-04; 93-1066, eff. 1-15-05.)

(305 ILCS 5/5A-2) (from Ch. 23, par. 5A-2)

(Section scheduled to be repealed on July 1, 2005)

Sec. 5A-2. Assessment; no local authorization to tax.

(a) Subject to Sections 5A-3 and 5A-10, an annual assessment on inpatient services is imposed on each hospital provider in an amount equal to the hospital's occupied bed days multiplied by \$84.19 multiplied by the proration factor for State fiscal year 2004 and the hospital's occupied bed days multiplied by \$84.19 for State fiscal year 2005.

The Department of Public Aid shall use the number of occupied bed days as reported by each hospital on the Annual Survey of Hospitals conducted by the Department of Public Health to calculate the hospital's annual assessment. If the sum of a hospital's occupied bed days is not reported on the Annual Survey of Hospitals or if there are data errors in the reported sum of a hospital's occupied bed days as determined by the Department of Public Aid, then the Department of Public Aid may obtain the sum of occupied bed days from any source available, including, but not limited to, records maintained by the hospital provider, which may be inspected at all times during business hours of the day by the Department of Public Aid or its duly authorized agents and employees.

Subject to Sections 5A-3 and 5A-10, for the privilege of engaging in the occupation of hospital provider, beginning August 1, 2005, an annual assessment is imposed on each hospital provider for State fiscal years 2006, 2007, and 2008, in an amount equal to 2.5835% of the hospital provider's adjusted gross hospital revenue for inpatient services and 2.5835% of the hospital provider's adjusted gross hospital revenue for outpatient services. If the hospital provider's adjusted gross hospital revenue is not available, then the Illinois Department may obtain the hospital provider's adjusted gross hospital revenue

from any source available, including, but not limited to, records maintained by the hospital provider, which may be inspected at all times during business hours of the day by the Illinois Department or its duly authorized agents and employees.

(b) Nothing in this ~~Article~~ amendatory Act of the 93rd General Assembly shall be construed to authorize any home rule unit or other unit of local government to license for revenue or to impose a tax or assessment upon hospital providers or the occupation of hospital provider, or a tax or assessment measured by the income or earnings of a hospital provider.

(c) As provided in Section 5A-14, this Section is repealed on July 1, ~~2008~~ 2005.

(Source: P.A. 93-659, eff. 2-3-04; 93-841, eff. 7-30-04; 93-1066, eff. 1-15-05.)

(305 ILCS 5/5A-3) (from Ch. 23, par. 5A-3)

Sec. 5A-3. Exemptions.

(a) (Blank).

(b) A hospital provider that is a State agency, a State university, or a county with a population of 3,000,000 or more is exempt from the assessment imposed by Section 5A-2.

(b-2) A hospital provider that is a county with a population of less than 3,000,000 or a township, municipality, hospital district, or any other local governmental unit is exempt from the assessment imposed by Section 5A-2.

(b-5) (Blank).

(b-10) ~~For State fiscal years 2004 and 2005, a~~ ▲ hospital provider whose hospital does not charge for its services is exempt from the assessment imposed by Section 5A-2, unless the exemption is adjudged to be unconstitutional or otherwise invalid, in which case the hospital provider shall pay the assessment imposed by Section 5A-2.

(b-15) ~~For State fiscal years 2004 and 2005, a~~ ▲ hospital provider whose hospital is licensed by the Department of Public Health as a psychiatric hospital is exempt from the assessment imposed by Section 5A-2, unless the exemption is adjudged to be unconstitutional or otherwise invalid, in which case the hospital provider shall pay the assessment imposed by Section 5A-2.

(b-20) ~~For State fiscal years 2004 and 2005, a~~ ▲ hospital provider whose hospital is licensed by the Department of Public Health as a rehabilitation hospital is exempt from the assessment imposed by Section 5A-2, unless the exemption is adjudged to be unconstitutional or otherwise invalid, in which case the hospital provider shall pay the assessment imposed by Section 5A-2.

(b-25) ~~For State fiscal years 2004 and 2005, a~~ ▲ hospital provider whose hospital (i) is not a psychiatric hospital, rehabilitation hospital, or children's hospital and (ii) has an average length of inpatient stay greater than 25 days is exempt from the assessment imposed by Section 5A-2, unless the exemption is adjudged to be unconstitutional or otherwise invalid, in which case the hospital provider shall pay the assessment imposed by Section 5A-2.

(c) (Blank).

(Source: P.A. 93-659, eff. 2-3-04.)

(305 ILCS 5/5A-4) (from Ch. 23, par. 5A-4)

Sec. 5A-4. Payment of assessment; penalty.

(a) The annual assessment imposed by Section 5A-2 for State fiscal year 2004 shall be due and payable on June 18 of the year. The assessment imposed by Section 5A-2 for State fiscal year 2005 shall be due and payable in quarterly installments, each equalling one-fourth of the assessment for the year, on July 19, October 19, January 18, and April 19 of the year. The assessment imposed by Section 5A-2 for State fiscal year 2006 and each subsequent State fiscal year shall be due and payable in quarterly installments, each equaling one-fourth of the assessment for the year, on the fourteenth State business day of September, December, March, and May. No installment payment of an assessment imposed by Section 5A-2 shall be due and payable, however, until after: (i) the hospital provider receives written notice from the Department of Public Aid that the payment methodologies to hospitals required under Section 5A-12 or Section 5A-12.1, whichever is applicable for that fiscal year, have been approved by the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services and the waiver under 42 CFR 433.68 for the assessment imposed by Section 5A-2, if necessary, has been granted by the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services; and (ii) the hospital has received the payments required under Section 5A-12 or Section 5A-12.1, whichever is applicable for that fiscal year. Upon notification to the Department of approval of the payment methodologies required under Section 5A-12 or Section 5A-12.1, whichever is applicable for that fiscal year, and the waiver granted under 42 CFR 433.68, all quarterly installments otherwise due under Section 5A-2 prior to the date of notification shall be due and payable to the Department upon written direction from the Department and receipt of the payments required under Section 5A-12.1.

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(b) The Illinois Department is authorized to establish delayed payment schedules for hospital providers that are unable to make installment payments when due under this Section due to financial difficulties, as determined by the Illinois Department.

(c) If a hospital provider fails to pay the full amount of an installment when due (including any extensions granted under subsection (b)), there shall, unless waived by the Illinois Department for reasonable cause, be added to the assessment imposed by Section 5A-2 a penalty assessment equal to the lesser of (i) 5% of the amount of the installment not paid on or before the due date plus 5% of the portion thereof remaining unpaid on the last day of each 30-day period thereafter or (ii) 100% of the installment amount not paid on or before the due date. For purposes of this subsection, payments will be credited first to unpaid installment amounts (rather than to penalty or interest), beginning with the most delinquent installments.

(Source: P.A. 93-659, eff. 2-3-04; 93-841, eff. 7-30-04; 93-1066, eff. 1-15-05.)

(305 ILCS 5/5A-5) (from Ch. 23, par. 5A-5)

Sec. 5A-5. Notice; penalty; maintenance of records.

(a) The Department of Public Aid shall send a notice of assessment to every hospital provider subject to assessment under this Article. The notice of assessment shall notify the hospital of its assessment and shall be sent after ~~within 14 days of~~ receipt by the Department of notification from the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services that the payment methodologies required under Section 5A-12 or Section 5A-12.1, whichever is applicable for that fiscal year, and, if necessary, the waiver granted under 42 CFR 433.68 have been approved. The notice shall be on a form prepared by the Illinois Department and shall state the following:

(1) The name of the hospital provider.

(2) The address of the hospital provider's principal place of business from which the provider engages in the occupation of hospital provider in this State, and the name and address of each hospital operated, conducted, or maintained by the provider in this State.

(3) The occupied bed days or adjusted gross hospital revenue of the hospital provider (whichever is applicable), the amount of assessment imposed under Section 5A-2 for the State fiscal year for which the notice is sent, and the amount of each quarterly installment to be paid during the State fiscal year.

(4) (Blank).

(5) Other reasonable information as determined by the Illinois Department.

(b) If a hospital provider conducts, operates, or maintains more than one hospital licensed by the Illinois Department of Public Health, the provider shall pay the assessment for each hospital separately.

(c) Notwithstanding any other provision in this Article, in the case of a person who ceases to conduct, operate, or maintain a hospital in respect of which the person is subject to assessment under this Article as a hospital provider, the assessment for the State fiscal year in which the cessation occurs shall be adjusted by multiplying the assessment computed under Section 5A-2 by a fraction, the numerator of which is the number of days in the year during which the provider conducts, operates, or maintains the hospital and the denominator of which is 365. Immediately upon ceasing to conduct, operate, or maintain a hospital, the person shall pay the assessment for the year as so adjusted (to the extent not previously paid).

(d) Notwithstanding any other provision in this Article, a provider who commences conducting, operating, or maintaining a hospital, upon notice by the Illinois Department, shall pay the assessment computed under Section 5A-2 and subsection (c) in installments on the due dates stated in the notice and on the regular installment due dates for the State fiscal year occurring after the due dates of the initial notice.

(e) Notwithstanding any other provision in this Article, for State fiscal years 2004 and 2005, in the case of a hospital provider that did not conduct, operate, or maintain a hospital throughout calendar year 2001, the assessment for that State fiscal year shall be computed on the basis of hypothetical occupied bed days for the full calendar year as determined by the Illinois Department. Notwithstanding any other provision in this Article, for State fiscal years after 2005, in the case of a hospital provider that did not conduct, operate, or maintain a hospital in 2003, the assessment for that State fiscal year shall be computed on the basis of hypothetical adjusted gross hospital revenue for the hospital's first full fiscal year as determined by the Illinois Department (which may be based on annualization of the provider's actual revenues for a portion of the year, or revenues of a comparable hospital for the year, including revenues realized by a prior provider of the same hospital during the year).

(f) Every hospital provider subject to assessment under this Article shall keep sufficient records to permit the determination of adjusted gross hospital revenue for the hospital's fiscal year. All such records shall be kept in the English language and shall, at all times during regular business hours of the day, be

subject to inspection by the Illinois Department or its duly authorized agents and employees. (Blank).

(g) The Illinois Department may, by rule, provide a hospital provider a reasonable opportunity to request a clarification or correction of any clerical or computational errors contained in the calculation of its assessment, but such corrections shall not extend to updating the cost report information used to calculate the assessment. (Blank).

(h) (Blank).

(Source: P.A. 93-659, eff. 2-3-04; 93-841, eff. 7-30-04.)

(305 ILCS 5/5A-7) (from Ch. 23, par. 5A-7)

Sec. 5A-7. Administration; enforcement provisions.

(a) The Illinois Department shall establish and maintain a listing of all hospital providers appearing in the licensing records of the Illinois Department of Public Health, which shall show each provider's name and principal place of business and the name and address of each hospital operated, conducted, or maintained by the provider in this State. The Illinois Department shall administer and enforce this Article and collect the assessments and penalty assessments imposed under this Article using procedures employed in its administration of this Code generally. The Illinois Department, its Director, and every hospital provider subject to assessment under this Article measured by occupied bed days shall have the following powers, duties, and rights:

(1) The Illinois Department may initiate either administrative or judicial proceedings, or both, to enforce provisions of this Article. Administrative enforcement proceedings initiated hereunder shall be governed by the Illinois Department's administrative rules. Judicial enforcement proceedings initiated hereunder shall be governed by the rules of procedure applicable in the courts of this State.

(2) No proceedings for collection, refund, credit, or other adjustment of an assessment amount shall be issued more than 3 years after the due date of the assessment, except in the case of an extended period agreed to in writing by the Illinois Department and the hospital provider before the expiration of this limitation period.

(3) Any unpaid assessment under this Article shall become a lien upon the assets of the hospital upon which it was assessed. If any hospital provider, outside the usual course of its business, sells or transfers the major part of any one or more of (A) the real property and improvements, (B) the machinery and equipment, or (C) the furniture or fixtures, of any hospital that is subject to the provisions of this Article, the seller or transferor shall pay the Illinois Department the amount of any assessment, assessment penalty, and interest (if any) due from it under this Article up to the date of the sale or transfer. If the seller or transferor fails to pay any assessment, assessment penalty, and interest (if any) due, the purchaser or transferee of such asset shall be liable for the amount of the assessment, penalties, and interest (if any) up to the amount of the reasonable value of the property acquired by the purchaser or transferee. The purchaser or transferee shall continue to be liable until the purchaser or transferee pays the full amount of the assessment, penalties, and interest (if any) up to the amount of the reasonable value of the property acquired by the purchaser or transferee or until the purchaser or transferee receives from the Illinois Department a certificate showing that such assessment, penalty, and interest have been paid or a certificate from the Illinois Department showing that no assessment, penalty, or interest is due from the seller or transferor under this Article.

(4) Payments under this Article are not subject to the Illinois Prompt Payment Act.

Credits or refunds shall not bear interest.

(b) In addition to any other remedy provided for and without sending a notice of assessment liability, the Illinois Department may collect an unpaid assessment by withholding, as payment of the assessment, reimbursements or other amounts otherwise payable by the Illinois Department to the hospital provider.

(Source: P.A. 93-659, eff. 2-3-04; 93-841, eff. 7-30-04.)

(305 ILCS 5/5A-8) (from Ch. 23, par. 5A-8)

Sec. 5A-8. Hospital Provider Fund.

(a) There is created in the State Treasury the Hospital Provider Fund. Interest earned by the Fund shall be credited to the Fund. The Fund shall not be used to replace any moneys appropriated to the Medicaid program by the General Assembly.

(b) The Fund is created for the purpose of receiving moneys in accordance with Section 5A-6 and disbursing moneys only for the following purposes, notwithstanding any other provision of law:

(1) For making payments to hospitals as required under Articles V, VI, and XIV of this Code and under the Children's Health Insurance Program Act.

(2) For the reimbursement of moneys collected by the Illinois Department from hospitals or hospital providers through error or mistake in performing the activities authorized under this Article

and Article V of this Code.

(3) For payment of administrative expenses incurred by the Illinois Department or its agent in performing the activities authorized by this Article.

(4) For payments of any amounts which are reimbursable to the federal government for payments from this Fund which are required to be paid by State warrant.

(5) For making transfers, as those transfers are authorized in the proceedings authorizing debt under the Short Term Borrowing Act, but transfers made under this paragraph (5) shall not exceed the principal amount of debt issued in anticipation of the receipt by the State of moneys to be deposited into the Fund.

(6) For making transfers to any other fund in the State treasury, but transfers made under this paragraph (6) shall not exceed the amount transferred previously from that other fund into the Hospital Provider Fund.

(7) For State fiscal years 2004 and 2005 for making transfers to the Health and Human Services Medicaid Trust Fund,

including 20% of the moneys received from hospital providers under Section 5A-4 and transferred into the Hospital Provider Fund under Section 5A-6. For State fiscal years 2006, 2007 and 2008 for making transfers to the Health and Human Services Medicaid Trust Fund of up to \$130,000,000 per year of the moneys received from hospital providers under Section 5A-4 and transferred into the Hospital Provider Fund under Section 5A-6. Transfers under this paragraph shall be made within 7 days after the payments have been received pursuant to the schedule of payments provided in subsection (a) of Section 5A-4.

(8) For making refunds to hospital providers pursuant to Section 5A-10.

Disbursements from the Fund, other than transfers authorized under paragraphs (5) and (6) of this subsection, shall be by warrants drawn by the State Comptroller upon receipt of vouchers duly executed and certified by the Illinois Department.

(c) The Fund shall consist of the following:

(1) All moneys collected or received by the Illinois Department from the hospital provider assessment imposed by this Article.

(2) All federal matching funds received by the Illinois Department as a result of expenditures made by the Illinois Department that are attributable to moneys deposited in the Fund.

(3) Any interest or penalty levied in conjunction with the administration of this Article.

(4) Moneys transferred from another fund in the State treasury.

(5) All other moneys received for the Fund from any other source, including interest earned thereon.

(d) (Blank).

(Source: P.A. 93-659, eff. 2-3-04.)

(305 ILCS 5/5A-10) (from Ch. 23, par. 5A-10)

Sec. 5A-10. Applicability.

(a) The assessment imposed by Section 5A-2 shall not take effect or shall cease to be imposed, and any moneys remaining in the Fund shall be refunded to hospital providers in proportion to the amounts paid by them, if:

(1) the sum of the appropriations for State fiscal years 2004 and 2005 from the General Revenue Fund for hospital payments under the medical assistance program is less than \$4,500,000,000 or the appropriation for each of State fiscal years 2006, 2007 and 2008 from the General Revenue Fund for hospital payments under the medical assistance program is less than \$2,500,000,000 increased annually to reflect any increase in the number of recipients; or

(2) the Department of Public Aid makes changes in its rules that reduce the hospital inpatient or outpatient payment rates, including adjustment payment rates, in effect on October 1, 2004 ~~2003~~, except for hospitals described in subsection (b) of Section 5A-3 and except for changes in the methodology for calculating outlier payments to hospitals for exceptionally costly stays ~~and except for changes in outpatient payment rates made to comply with the federal Health Insurance Portability and Accountability Act~~, so long as those changes do not reduce aggregate expenditures below the amount expended in State fiscal year ~~2005~~ ~~2003~~ for such services; or

(3) the payments to hospitals required under Section 5A-12 are changed or are not eligible for federal matching funds under Title XIX or XXI of the Social Security Act.

(b) The assessment imposed by Section 5A-2 shall not take effect or shall cease to be imposed if the assessment is determined to be an impermissible tax under Title XIX of the Social Security Act. Moneys in the Hospital Provider Fund derived from assessments imposed prior thereto shall be disbursed in

accordance with Section 5A-8 to the extent federal matching is not reduced due to the impermissibility of the assessments, and any remaining moneys shall be refunded to hospital providers in proportion to the amounts paid by them.

(Source: P.A. 93-659, eff. 2-3-04.)

(305 ILCS 5/5A-12.1 new)

Sec. 5A-12.1. Hospital access improvement payments.

(a) To preserve and improve access to hospital services, for hospital services rendered on or after August 1, 2005, the Department of Public Aid shall make payments to hospitals as set forth in this Section, except for hospitals described in subsection (b) of Section 5A-3. These payments shall be paid on a quarterly basis. For State fiscal year 2006, once the approval of the payment methodology required under this Section and any waiver required under 42 CFR 433.68 by the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services is received, the Department shall pay the total amounts required for fiscal year 2006 under this Section within 100 days of the latest notification. In State fiscal years 2007 and 2008, the total amounts required under this Section shall be paid in 4 equal installments on or before the seventh State business day of September, December, March, and May, except that if the date of notification of the approval of the payment methodologies required under this Section and any waiver required under 42 CFR 433.68 is on or after July 1, 2006, the sum of amounts required under this Section prior to the date of notification shall be paid within 100 days of the date of the last notification. Payments under this Section are not due and payable, however, until (i) the methodologies described in this Section are approved by the federal government in an appropriate State Plan amendment, (ii) the assessment imposed under this Article is determined to be a permissible tax under Title XIX of the Social Security Act, and (iii) the assessment is in effect.

(b) Medicaid eligibility payment. In addition to amounts paid for inpatient hospital services, the Department shall pay each Illinois hospital (except for hospitals described in Section 5A-3) for each inpatient Medicaid admission in State fiscal year 2003, \$430 multiplied by the percentage by which the number of Medicaid recipients in the county in which the hospital is located increased from State fiscal year 1998 to State fiscal year 2003.

(c) Medicaid high volume adjustment.

(1) In addition to rates paid for inpatient hospital services, the Department shall pay to each Illinois hospital (except for hospitals that qualify for Medicaid Percentage Adjustment payments under 89 Ill. Adm. Code 148.122 for the 12-month period beginning on October 1, 2004) that provided more than 10,000 Medicaid inpatient days of care (determined using the hospital's fiscal year 2002 Medicaid cost report on file with the Department on July 1, 2004) amounts as follows:

(i) for hospitals that provided more than 10,000 Medicaid inpatient days of care but less than or equal to 14,500 Medicaid inpatient days of care, \$90 for each Medicaid inpatient day of care provided during that period; and

(ii) for hospitals that provided more than 14,500 Medicaid inpatient days of care but less than or equal to 18,500 Medicaid inpatient days of care, \$135 for each Medicaid inpatient day of care provided during that period; and

(iii) for hospitals that provided more than 18,500 Medicaid inpatient days of care but less than or equal to 20,000 Medicaid inpatient days of care, \$225 for each Medicaid inpatient day of care provided during that period; and

(iv) for hospitals that provided more than 20,000 Medicaid inpatient days of care, \$900 for each Medicaid inpatient day of care provided during that period.

Provided, however, that no hospital shall receive more than \$19,000,000 per year in such payments under subparagraphs (i), (ii), (iii), and (iv).

(2) In addition to rates paid for inpatient hospital services, the Department shall pay to each Illinois general acute care hospital that as of October 1, 2004, qualified for Medicaid percentage adjustment payments under 89 Ill. Adm. Code 148.122 and provided more than 21,000 Medicaid inpatient days of care (determined using the hospital's fiscal year 2002 Medicaid cost report on file with the Department on July 1, 2004) \$35 for each Medicaid inpatient day of care provided during that period. Provided, however, that no hospital shall receive more than \$1,200,000 per year in such payments.

(d) Intensive care adjustment. In addition to rates paid for inpatient services, the Department shall pay an adjustment payment to each Illinois general acute care hospital located in a large urban area that, based on the hospital's fiscal year 2002 Medicaid cost report, had a ratio of Medicaid intensive care unit days to total Medicaid days greater than 19%. If such ratio for the hospital is less than 30%, the hospital shall be paid an adjustment payment for each Medicaid inpatient day of care provided equal to \$1,000 multiplied by the hospital's ratio of Medicaid intensive care days to total Medicaid days. If such ratio for the hospital is equal to or greater than 30%, the hospital shall be paid an adjustment payment for each



Medicaid inpatient day of care provided equal to \$2,800 multiplied by the hospital's ratio of Medicaid intensive care days to total Medicaid days.

(e) Trauma center adjustments.

(1) In addition to rates paid for inpatient hospital services, the Department shall pay to each Illinois general acute care hospital that as of January 1, 2005, was designated as a Level I trauma center and is either located in a large urban area or is located in an other urban area and as of October 1, 2004 qualified for Medicaid percentage adjustment payments under 89 Ill. Adm. Code 148.122, a payment equal to \$800 multiplied by the hospital's Medicaid intensive care unit days (excluding Medicare crossover days). This payment shall be calculated based on data from the hospital's 2002 cost report on file with the Department on July 1, 2004. For hospitals located in large urban areas outside of a city with a population in excess of 1,000,000 people, the payment required under this subsection shall be multiplied by 4.5. For hospitals located in other urban areas, the payment required under this subsection shall be multiplied by 8.5.

(2) In addition to rates paid for inpatient hospital services, the Department shall pay an additional payment to each Illinois general acute care hospital that as of January 1, 2005, was designated as a Level II trauma center and is located in a county with a population in excess of 3,000,000 people. The payment shall equal \$4,000 per day for the first 500 Medicaid inpatient days, \$2,000 per day for the Medicaid inpatient days between 501 and 1,500, and \$100 per day for any Medicaid inpatient day in excess of 1,500. This payment shall be calculated based on data from the hospital's 2002 cost report on file with the Department on July 1, 2004.

(3) In addition to rates paid for inpatient hospital services, the Department shall pay an additional payment to each Illinois general acute care hospital that as of January 1, 2005, was designated as a Level II trauma center, is located in a large urban area outside of a county with a population in excess of 3,000,000 people, and as of January 1, 2005, was designated a Level III perinatal center or designated a Level II or II+ prenatal center that has a ratio of Medicaid intensive care unit days to total Medicaid days greater than 5%. The payment shall equal \$4,000 per day for the first 500 Medicaid inpatient days, \$2,000 per day for the Medicaid inpatient days between 501 and 1,500, and \$100 per day for any Medicaid inpatient day in excess of 1,500. This payment shall be calculated based on data from the hospital's 2002 cost report on file with the Department on July 1, 2004.

(4) In addition to rates paid for inpatient hospital services, the Department shall pay an additional payment to each Illinois children's hospital that as of January 1, 2005, was designated a Level I pediatric trauma center that had more than 30,000 Medicaid days in State fiscal year 2003 and to each Level I pediatric trauma center located outside of Illinois and that had more than 700 Illinois Medicaid cases in State fiscal year 2003. The amount of such payment shall equal \$325 multiplied by the hospital's Medicaid intensive care unit days, and this payment shall be multiplied by 2.25 for hospitals located outside of Illinois. This payment shall be calculated based on data from the hospital's 2002 cost report on file with the Department on July 1, 2004.

(5) Notwithstanding any other provision of this subsection, a children's hospital, as defined in 89 Ill. Adm. Code 149.50(c)(3)(B), is not eligible for the payments described in paragraphs (1), (2), and (3) of this subsection.

(f) Psychiatric rate adjustment.

(1) In addition to rates paid for inpatient psychiatric services, the Department shall pay each Illinois psychiatric hospital and general acute care hospital with a distinct part psychiatric unit, for each Medicaid inpatient psychiatric day of care provided in State fiscal year 2003, an amount equal to \$420 less the hospital's per diem rate for Medicaid inpatient psychiatric services as in effect on July 1, 2002. In no event, however, shall that amount be less than zero.

(2) For Illinois psychiatric hospitals and distinct part psychiatric units of Illinois general acute care hospitals whose inpatient per diem rate as in effect on July 1, 2002 is greater than \$420, the Department shall pay, in addition to any other amounts authorized under this Code, \$40 for each Medicaid inpatient psychiatric day of care provided in State fiscal year 2003.

(3) In addition to rates paid for inpatient psychiatric services, for Illinois psychiatric hospitals located in a county with a population in excess of 3,000,000 people that did not qualify for Medicaid percentage adjustment payments under 89 Ill. Adm. Code 148.122 for the 12-month period beginning on October 1, 2004, the Illinois Department shall make an adjustment payment of \$150 for each Medicaid inpatient psychiatric day of care provided by the hospital in State fiscal year 2003. In addition to rates paid for inpatient psychiatric services, for Illinois psychiatric hospitals located in a county with a population in excess of 3,000,000 people, but outside of a city with a population in excess of 1,000,000 people, that did qualify for Medicaid percentage adjustment payments under 89 Ill. Adm. Code 148.122 for the 12-month period beginning on October 1, 2004, the Illinois Department shall make an adjustment

payment of \$20 for each Medicaid inpatient psychiatric day of care provided by the hospital in State fiscal year 2003.

(g) Rehabilitation adjustment.

(1) In addition to rates paid for inpatient rehabilitation services, the Department shall pay each Illinois general acute care hospital with a distinct part rehabilitation unit that had at least 40 beds as reported on the hospital's 2003 Medicaid cost report on file with the Department as of March 31, 2005, for each Medicaid inpatient day of care provided during State fiscal year 2003, an amount equal to \$230.

(2) In addition to rates paid for inpatient rehabilitation services, for Illinois rehabilitation hospitals that did not qualify for Medicaid percentage adjustment payments under 89 Ill. Adm. Code 148.122 for the 12-month period beginning on October 1, 2004, the Illinois Department shall make an adjustment payment of \$200 for each Medicaid inpatient day of care provided during State fiscal year 2003.

(h) Supplemental tertiary care adjustment. In addition to rates paid for inpatient services, the Department shall pay to each Illinois hospital eligible for tertiary care adjustment payments under 89 Ill. Adm. Code 148.296, as in effect for State fiscal year 2005, a supplemental tertiary care adjustment payment equal to 2.5 multiplied by the tertiary care adjustment payment required under 89 Ill. Adm. Code 148.296, as in effect for State fiscal year 2005.

(i) Crossover percentage adjustment. In addition to rates paid for inpatient services, the Department shall pay each Illinois general acute care hospital, excluding any hospital defined as a cancer center hospital in rules by the Department, located in an urban area that provided over 500 days of inpatient care to Medicaid recipients, that had a ratio of crossover days to total Medicaid days, utilizing information used for the Medicaid percentage adjustment determination described in 84 Ill. Adm. Code 148.122, effective October 1, 2004, of greater than 40%, and that does not qualify for Medicaid percentage adjustment payments under 89 Ill. Adm. Code 148.122, on October 1, 2004, an amount as follows:

(1) for hospitals located in an other urban area, \$140 per Medicaid inpatient day (including crossover days);

(2) for hospitals located in a large urban area whose ratio of crossover days to total Medicaid days is less than 55%, \$350 per Medicaid inpatient day (including crossover days);

(3) for hospitals located in a large urban area whose ratio of crossover days to total Medicaid days is equal to or greater than 55%, \$ 1,400 per Medicaid inpatient day (including crossover days).

The term "Medicaid days" in paragraphs (1), (2), and (3) of this subsection (i) means the Medicaid days utilized for the Medicaid percentage adjustment determination described in 89 Ill. Adm. Code 148.122 for the October 1, 2004 determination.

(j) Long term acute care hospital adjustment. In addition to rates paid for inpatient services, the Department shall pay each Illinois long term acute care hospital that, as of October 1, 2004, qualified for a Medicaid percentage adjustment under 89 Ill. Adm. Code 148.122, \$125 for each Medicaid inpatient day of care provided in State fiscal year 2003. In addition to rates paid for inpatient services, the Department shall pay each long term acute care hospital that, as of October 1, 2004, did not qualify for a Medicaid percentage adjustment under 89 Ill. Adm. Code 148.122, \$1,250 for each Medicaid inpatient day of care provided in State fiscal year 2003. For purposes of this subsection, "long term acute care hospital" means a hospital that (i) is not a psychiatric hospital, rehabilitation hospital, or children's hospital and (ii) has an average length of inpatient stay greater than 25 days.

(k) Obstetrical care adjustments.

(1) In addition to rates paid for inpatient services, the Department shall pay each Illinois hospital an amount equal to \$550 multiplied by each Medicaid obstetrical day of care provided by the hospital in State fiscal year 2003.

(2) In addition to rates paid for inpatient services, the Department shall pay each Illinois hospital that qualified as a Medicaid disproportionate share hospital under 89 Ill. Adm. Code 148.120 as of October 1, 2004, and that had a Medicaid obstetrical percentage greater than 10% and a Medicaid emergency care percentage greater than 40%, an amount equal to \$650 multiplied by each Medicaid obstetrical day of care provided by the hospital in State fiscal year 2003.

(3) In addition to rates paid for inpatient services, the Department shall pay each Illinois hospital that is located in the St. Louis metropolitan statistical area and that provided more than 500 Medicaid obstetrical days of care in State fiscal year 2003, an amount equal to \$1,800 multiplied by each Medicaid obstetrical day of care provided by the hospital in State fiscal year 2003.

(4) In addition to rates paid for inpatient services, the Department shall pay \$600 for each Medicaid obstetrical day of care provided in State fiscal year 2003 by each Illinois hospital that (i) is located in a large urban area, (ii) is located in a county whose number of Medicaid recipients increased from State fiscal year 1998 to State fiscal year 2003 by more than 60%, and (iii) that had a Medicaid obstetrical

percentage used for the October 1, 2004, Medicaid percentage adjustment determination described in 89 Ill. Adm. Code 148.122 greater than 25%.

(5) In addition to rates paid for inpatient services, the Department shall pay \$400 for each Medicaid obstetrical day of care provided in State fiscal year 2003 by each Illinois rural hospital that (i) was designated a Level II perinatal center as of January 1, 2005, (ii) had a Medicaid inpatient utilization rate greater than 34% in State fiscal year 2002, and (iii) had a Medicaid obstetrical percentage used for the October 1, 2004, Medicaid percentage adjustment determination described in 89 Ill. Adm. Code 148.122 greater than 15%.

(l) Outpatient access payments. In addition to the rates paid for outpatient hospital services, the Department shall pay each Illinois hospital (except for hospitals described in Section 5A-3), an amount equal to 2.38 multiplied by the hospital's outpatient ambulatory procedure listing payments for services provided during State fiscal year 2003 multiplied by the percentage by which the number of Medicaid recipients in the county in which the hospital is located increased from State fiscal year 1998 to State fiscal year 2003.

(m) Outpatient utilization payment.

(1) In addition to the rates paid for outpatient hospital services, the Department shall pay each Illinois rural hospital, an amount equal to 1.7 multiplied by the hospital's outpatient ambulatory procedure listing payments for services provided during State fiscal year 2003.

(2) In addition to the rates paid for outpatient hospital services, the Department shall pay each Illinois hospital located in an urban area, an amount equal to 0.45 multiplied by the hospital's outpatient ambulatory procedure listing payments received for services provided during State fiscal year 2003.

(n) Outpatient complexity of care adjustment. In addition to the rates paid for outpatient hospital services, the Department shall pay each Illinois hospital located in an urban area an amount equal to 2.55 multiplied by the hospital's emergency care percentage multiplied by the hospital's outpatient ambulatory procedure listing payments received for services provided during State fiscal year 2003. For children's hospitals with an inpatient utilization rate used for the October 1, 2004, Medicaid percentage adjustment determination described in 89 Ill. Adm. Code 148.122 greater than 90%, this adjustment shall be multiplied by 2. For cancer center hospitals, this adjustment shall be multiplied by 3.

(o) Rehabilitation hospital adjustment. In addition to the rates paid for outpatient hospital services, the Department shall pay each Illinois freestanding rehabilitation hospital that does not qualify for a Medicaid percentage adjustment under 89 Ill. Adm. Code 148.122 as of October 1, 2004, an amount equal to 3 multiplied by the hospital's outpatient ambulatory procedure listing payments for Group 6A services provided during State fiscal year 2003.

(p) Perinatal outpatient adjustment. In addition to the rates paid for outpatient hospital services, the Department shall pay an adjustment payment to each large urban general acute care hospital that is designated as a perinatal center as of January 1, 2005, has a Medicaid obstetrical percentage of at least 10% used for the October 1, 2004, Medicaid percentage adjustment determination described in 89 Ill. Adm. Code 148.122, has a Medicaid intensive care unit percentage of at least 3%, and has a ratio of ambulatory procedure listing Level 3 services to total ambulatory procedure listing services of at least 50%. The amount of the adjustment payment under this subsection shall be \$550 multiplied by the hospital's outpatient ambulatory procedure listing Level 3A services provided in State fiscal year 2003. If the hospital, as of January 1, 2005, was designated a Level III or II+ perinatal center, the adjustment payments required by this subsection shall be multiplied by 4.

(q) Supplemental psychiatric adjustment payments. In addition to rates paid for inpatient services, the Department shall pay to each Illinois hospital that does not qualify for Medicaid percentage adjustments described in 89 Ill. Adm. Code 148.122 but is eligible for psychiatric adjustment payments under 89 Ill. Adm. Code 148.105 for State fiscal year 2005, a supplemental psychiatric adjustment payment equal to 0.7 multiplied by the psychiatric adjustment payment required under 89 Ill. Adm. Code 148.105, as in effect for State fiscal year 2005.

(r) Outpatient community access adjustment. In addition to the rates paid for outpatient hospital services, the Department shall pay an adjustment payment to each general acute care hospital that is designated as a perinatal center as of January 1, 2005, that had a Medicaid obstetrical percentage used for the October 1, 2004, Medicaid percentage adjustment determination described in 89 Ill. Adm. Code 148.122 of at least 12.5%, that had a ratio of crossover days to total Medicaid days utilizing information used for the Medicaid percentage adjustment described in 89 Ill. Adm. Code 148.122 determination effective October 1, 2004, of greater than or equal to 25%, and that qualified for the Medicaid percentage adjustment payments under 89 Ill. Adm. Code 148.122 on October 1, 2004, an amount equal to \$100 multiplied by the hospital's outpatient ambulatory procedure listing services provided during State fiscal year 2003.

(s) Definitions. Unless the context requires otherwise or unless provided otherwise in this Section, the terms used in this Section for qualifying criteria and payment calculations shall have the same meanings as those terms have been given in the Illinois Department's administrative rules as in effect on May 1, 2005. Other terms shall be defined by the Illinois Department by rule.

As used in this Section, unless the context requires otherwise:

"Emergency care percentage" means a fraction, the numerator of which is the total Group 3 ambulatory procedure listing services provided by the hospital in State fiscal year 2003, and the denominator of which is the total ambulatory procedure listing services provided by the hospital in State fiscal year 2003.

"Large urban area" means an area located within a metropolitan statistical area, as defined by the U.S. Office of Management and Budget in OMB Bulletin 04-03, dated February 18, 2004, with a population in excess of 1,000,000.

"Medicaid intensive care unit days" means the number of hospital inpatient days during which Medicaid recipients received intensive care services from the hospital, as determined from the hospital's 2002 Medicaid cost report that was on file with the Department as of July 1, 2004.

"Other urban area" means an area located within a metropolitan statistical area, as defined by the U.S. Office of Management and Budget in OMB Bulletin 04-03, dated February 18, 2004, with a city with a population in excess of 50,000 or a total population in excess of 100,000.

(t) For purposes of this Section, a hospital that enrolled to provide Medicaid services during State fiscal year 2003 shall have its utilization and associated reimbursements annualized prior to the payment calculations being performed under this Section.

(u) For purposes of this Section, the terms "Medicaid days", "ambulatory procedure listing services", and "ambulatory procedure listing payments" do not include any days, charges, or services for which Medicare was liable for payment, except where explicitly stated otherwise in this Section.

(v) As provided in Section 5A-14, this Section is repealed on July 1, 2008.

(305 ILCS 5/5A-13)

Sec. 5A-13. Emergency rulemaking. The Department of Public Aid may adopt rules necessary to implement this amendatory Act of the ~~94th~~ ~~93rd~~ General Assembly through the use of emergency rulemaking in accordance with Section 5-45 of the Illinois Administrative Procedure Act. For purposes of that Act, the General Assembly finds that the adoption of rules to implement this amendatory Act of the ~~94th~~ ~~93rd~~ General Assembly is deemed an emergency and necessary for the public interest, safety, and welfare.

(Source: P.A. 93-659, eff. 2-3-04.)

(305 ILCS 5/5A-14)

Sec. 5A-14. Repeal of assessments and disbursements.

(a) Section 5A-2 is repealed on July 1, ~~2008~~ ~~2005~~.

(b) Section 5A-12 is repealed on July 1, 2005.

(c) Section 5A-12.1 is repealed on July 1, 2008.

(Source: P.A. 93-659, eff. 2-3-04.)

Section 90-97. Severability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes.

Section 90-99. Effective date. This Act takes effect upon becoming law."

#### **AMENDMENT NO. 2 TO SENATE BILL 157**

AMENDMENT NO. 2. Amend Senate Bill 157, AS AMENDED, with reference to page and line numbers of House Amendment No. 1, on page 3, between lines 12 and 13, by inserting the following:

"(c) The report shall include a description of the methodology used in the collection of the data and an analysis regarding the effect of employment and health coverage on the assistance programs provided by the State. The Department shall include available data regarding: the numbers of employees and dependents of employees; the identity of employers by type of industry and by public, private, profit, or non-profit status; the employees' full-time or part-time status; and other variables that the Department determines essential."; and

on page 3, line 13, by changing "(c)" to "(d)"; and

on page 3, line 18, by changing "(d)" to "(e)"; and

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on page 4, line 2, after "be", by replacing "designed or used to" with "designed or, except as provided in this Law, used to"; and

on page 8, by replacing lines 12 and 13 with the following:

""Death" means patient death related to an adverse event and not related solely to the natural course of the patient's illness or underlying condition. Events otherwise reportable under this Section 10-15 shall be reported even if the death might have otherwise occurred as the natural course of the patient's illness or underlying condition."; and

on page 8, by replacing lines 14 through 16 with the following:

""Serious disability" means a physical or mental impairment, including loss of a body part, related to an adverse event and not related solely to the natural course of the patient's illness or underlying condition, that substantially limits one or more of the major life"; and

on page 9, line 24, after "errors or", by inserting ", except to enforce this Law,"; and

on page 11, by replacing lines 14 through 16 with the following:

(ii) Summarizes, in aggregate form, the corrective action plans and findings of root cause analyses submitted by health care facilities."; and

on page 11, line 32, after "Committee", by replacing "shall, when possible, make" with "shall review the Department's"; and

on page 12, line 2, after "standards.", by replacing "Prior to adoption of any" with "In connection with its review of the Department's"; and

on page 12, line 23, by replacing "must address problems" with "must substantially address the problems".

Under the rules, the foregoing **Senate Bill No. 157**, with House Amendments numbered 1 and 2 was referred to the Secretary's Desk.

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the passage of a bill of the following title, to-wit:

SENATE BILL NO. 501

A bill for AN ACT concerning transportation.

Together with the following amendment which is attached, in the adoption of which I am instructed to ask the concurrence of the Senate, to-wit:

House Amendment No. 3 to SENATE BILL NO. 501

Passed the House, as amended, May 28, 2005.

MARK MAHONEY, Clerk of the House

**AMENDMENT NO. 3 TO SENATE BILL 501**

AMENDMENT NO. 3. Amend Senate Bill 501 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Vehicle Code is amended by changing Sections 4-208 and 18a-300 as follows: (625 ILCS 5/4-208) (from Ch. 95 1/2, par. 4-208)

Sec. 4-208. Disposal of unclaimed vehicles.

(a) In cities having a population of more than 500,000, whenever an abandoned, lost, stolen or unclaimed vehicle, or vehicle determined to be a hazardous dilapidated motor vehicle pursuant to Section 11-40-3.1 of the Illinois Municipal Code, remains unclaimed by the registered owner, lienholder or other legally entitled person for a period of 18 ~~45~~ days after notice has been given under Sections 4-205 and 4-206 of this Code, if during that 18 days the possessor of the vehicle has sent an additional

[May 28, 2005]

notice by first class mail to the registered owner, lienholder, or other legally entitled person, the vehicle shall be disposed, pursuant to the provisions of the "Municipal purchasing act for cities of 500,000 or more population", to a person licensed as an automotive parts recycler, rebuilder or scrap processor under Chapter 5 of this Code. With respect to any vehicle that has been booted, impounded, or both in accordance with subsection (c) of Section 11-208.3, a city with a population over 500,000 may establish a program whereby the registered owner, lienholder, or other legally entitled person is entitled to any proceeds from the disposition of the vehicle, less any reasonable storage charges, administrative fees, brokering fees, towing fees, and parking and compliance fines and penalties.

(b) Except as provided in Section 4-208 for cities with more than 500,000 inhabitants, when an abandoned, lost, stolen or unclaimed vehicle 7 years of age or newer remains unclaimed by the registered owner, lienholder or other legally entitled persons for a period of 30 days after notice has been given as provided in Sections 4-205 and 4-206 of this Code, the law enforcement agency or towing service having possession of the vehicle shall cause it to be sold at public auction to a person licensed as an automotive parts recycler, rebuilder or scrap processor under Chapter 5 of this Code or the towing operator which towed the vehicle. Notice of the time and place of the sale shall be posted in a conspicuous place for at least 10 days prior to the sale on the premises where the vehicle has been impounded. At least 10 days prior to the sale, the law enforcement agency where the vehicle is impounded, or the towing service where the vehicle is impounded, shall cause a notice of the time and place of the sale to be sent by certified mail to the registered owner, lienholder, or other legally entitled persons. Notice as provided in Sections 4-205 and 4-206 of this Code and as provided in this subsection (b) shall state the time and place of sale and shall contain a complete description of the vehicle to be sold and what steps must be taken by any legally entitled person to reclaim the vehicle.

(c) If an abandoned, lost, stolen, or unclaimed vehicle displays dealer plates, notice under this Section and Section 4-209 of this Code shall be sent to both the dealer and the registered owner, lienholder, or other legally entitled persons.

(d) In those instances where the certified notification specified in Sections 4-205 and 4-206 of this Code has been returned by the postal authorities to the law enforcement agency or towing service, the sending of a second certified notice will not be required.

(Source: P.A. 89-433, eff. 12-15-95; 90-330, eff. 8-8-97.)

(625 ILCS 5/18a-300) (from Ch. 95 1/2, par. 18a-300)

Sec. 18a-300. Commercial vehicle relocators - Unlawful practices. It shall be unlawful for any commercial vehicle relocater:

(1) To operate in any county in which this Chapter is applicable without a valid, current relocater's license as provided in Article IV of this Chapter;

(2) To employ as an operator, or otherwise so use the services of, any person who does not have at the commencement of employment or service, or at any time during the course of employment or service, a valid, current operator's employment permit, or temporary operator's employment permit issued in accordance with Sections 18a-403 or 18a-405 of this Chapter; or to fail to notify the Commission, in writing, of any known criminal conviction of any employee occurring at any time before or during the course of employment or service;

(3) To employ as a dispatcher, or otherwise so use the services of, any person who does not have at the commencement of employment or service, or at any time during the course of employment or service, a valid, current dispatcher's or operator's employment permit or temporary dispatcher's or operator's employment permit issued in accordance with Sections 18a-403 or 18a-407 of this Chapter; or to fail to notify the Commission, in writing, of any known criminal conviction of any employee occurring at any time before or during the course of employment or service;

(4) To operate upon the highways of this State any vehicle used in connection with any commercial vehicle relocation service unless:

(A) There is painted or firmly affixed to the vehicle on both sides of the vehicle in a color or colors vividly contrasting to the color of the vehicle the name, address and telephone number of the relocater. The Commission shall prescribe reasonable rules and regulations pertaining to insignia to be painted or firmly affixed to vehicles and shall waive the requirements of the address on any vehicle in cases where the operator of a vehicle has painted or otherwise firmly affixed to the vehicle a seal or trade mark that clearly identifies the operator of the vehicle; and

(B) There is carried in the power unit of the vehicle a certified copy of the currently effective relocater's license and operator's employment permit. Copies may be photographed, photocopied, or reproduced or printed by any other legible and durable process. Any person guilty of not causing to be displayed a copy of his relocater's license and operator's employment permit may in any hearing concerning the violation be excused from the payment of the penalty hereinafter provided

- upon a showing that the license was issued by the Commission, but was subsequently lost or destroyed;
- (5) To operate upon the highways of this State any vehicle used in connection with any commercial vehicle relocation service that bears the name or address and telephone number of any person or entity other than the relocator by which it is owned or to which it is leased;
- (6) To advertise in any newspaper, book, list, classified directory or other publication unless there is contained in the advertisement the license number of the relocator;
- (7) To remove any vehicle from private property without having first obtained the written authorization of the property owner or other person in lawful possession or control of the property, his authorized agent, or an authorized law enforcement officer. The authorization may be on a contractual basis covering a period of time or limited to a specific removal;
- (8) To charge the private property owner, who requested that an unauthorized vehicle be removed from his property, with the costs of removing the vehicle contrary to any terms that may be a part of the contract between the property owner and the commercial relocator. Nothing in this paragraph shall prevent a relocator from assessing, collecting, or receiving from the property owner, lessee, or their agents any fee prescribed by the Commission;
- (9) To remove a vehicle when the owner or operator of the vehicle is present or arrives at the vehicle location at any time prior to the completion of removal, and is willing and able to remove the vehicle immediately;
- (10) To remove any vehicle from property on which signs are required and on which there are not posted appropriate signs under Section 18a-302;
- (11) To fail to notify law enforcement authorities in the jurisdiction in which the trespassing vehicle was removed within one hour of the removal. Notification shall include a complete description of the vehicle, registration numbers if possible, the locations from which and to which the vehicle was removed, the time of removal, and any other information required by regulation, statute or ordinance;
- (12) To impose any charge other than in accordance with the rates set by the Commission as provided in paragraph (6) of Section 18a-200 of this Chapter;
- (13) To fail, in the office or location at which relocated vehicles are routinely returned to their owners, to prominently post the name, address and telephone number of the nearest office of the Commission to which inquiries or complaints may be sent;
- (13.1) To fail to distribute to each owner or operator of a relocated vehicle, in written form as prescribed by Commission rule or regulation, the relevant statutes, regulations and ordinances governing commercial vehicle relocators, including, in at least 12 point boldface type, the name, address and telephone number of the nearest office of the Commission to which inquiries or complaints may be sent;
- (13.2) To fail, in the office or location at which relocated vehicles are routinely returned to their owners, to ensure that the relocator's representative provides suitable evidence of his or her identity to the owners of relocated vehicles upon request;
- (14) To remove any vehicle, otherwise in accordance with this Chapter, more than 15 air miles from its location when towed from a location in an unincorporated area of a county or more than 10 air miles from its location when towed from any other location;
- (15) To fail to make a telephone number available to the police department of any municipality in which a relocator operates at which the relocator or an employee of the relocator may be contacted at any time during the hours in which the relocator is engaged in the towing of vehicles, or advertised as engaged in the towing of vehicles, for the purpose of effectuating the release of a towed vehicle; or to fail to include the telephone number in any advertisement of the relocator's services published or otherwise appearing on or after the effective date of this amendatory Act; or to fail to have an employee available at any time on the premises owned or controlled by the relocator for the purposes of arranging for the immediate release of the vehicle.
- Apart from any other penalty or liability authorized under this Act, if after a reasonable effort, the owner of the vehicle is unable to make telephone contact with the relocator for a period of one hour from his initial attempt during any time period in which the relocator is required to respond at the number, all fees for towing, storage, or otherwise are to be waived. Proof of 3 attempted phone calls to the number provided to the police department by an officer or employee of the department on behalf of the vehicle owner within the space of one hour, at least 2 of which are separated by 45 minutes, shall be deemed sufficient proof of the owner's reasonable effort to make contact with the vehicle relocator. Failure of the relocator to respond to the phone calls is not a criminal violation of this Chapter;
- (16) To use equipment which the relocator does not own, except in compliance with Section 18a-306 of this Chapter and Commission regulations. No equipment can be leased to more than one relocator at any time. Equipment leases shall be filed with the Commission. If equipment is leased to one relocator, it

cannot thereafter be leased to another relocater until a written cancellation of lease is properly filed with the Commission;

(17) To use drivers or other personnel who are not employees or contractors of the relocator;

(18) To fail to refund any amount charged in excess of the reasonable rate established by the Commission;

(19) To violate any other provision of this Chapter, or of Commission regulations or orders adopted under this Chapter.

(Source: P.A. 88-448.)".

Under the rules, the foregoing **Senate Bill No. 501**, with House Amendment No. 3 was referred to the Secretary's Desk.

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has refused to concur with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 114

A bill for AN ACT concerning elections.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 114

Nonconcurring in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

Under the rules, the foregoing **House Bill No. 114**, with Senate Amendment No. 1 was referred to the Secretary's Desk.

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has refused to concur with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 1316

A bill for AN ACT concerning transportation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 1316

Nonconcurring in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

Under the rules, the foregoing **House Bill No. 1316**, with Senate Amendment No. 1 was referred to the Secretary's Desk.

**JOINT ACTION MOTIONS FILED**

The following Joint Action Motion to the Senate Bill listed below has been filed with the Secretary and referred to the Committee on Rules:

Motion to Concur in House Amendments 1 and 2 to Senate Bill 157

[May 28, 2005]



**CONSIDERATION OF HOUSE AMENDMENTS TO SENATE BILLS ON SECRETARY'S  
DESK**

On motion of Senator Schoenberg, **Senate Bill No. 1962**, with House Amendment No. 1 on the Secretary's Desk, was taken up for immediate consideration.

Senator Schoenberg moved that the Senate nonconcur with the House in the adoption of their amendment to said bill.

The motion prevailed.

And the Senate nonconcurred with the House in the adoption of their Amendment No. 1 to **Senate Bill No. 1962**.

Ordered that the Secretary inform the House of Representatives thereof.

**READING BILLS FROM THE HOUSE OF REPRESENTATIVES A SECOND TIME**

On motion of Senator Sandoval, **House Bill No. 4050** was taken up, read by title a second time and ordered to a third reading.

On motion of Senator Schoenberg, **House Bill No. 4053** was taken up, read by title a second time. Committee Amendment No. 1 was held in the Committee on Rules.

There being no further amendments, the bill was ordered to a third reading.

**SENATE BILL RECALLED**

On motion of Senator Clayborne, **Senate Bill No. 507** was recalled from the order of third reading to the order of second reading.

Senator Clayborne offered the following amendment:

**AMENDMENT NO. 2 TO SENATE BILL 507**

AMENDMENT NO. 2. Amend Senate Bill 507, AS AMENDED, by replacing everything after the enacting clause with the following:

"Section 5. The State Treasurer Act is amended by changing Section 16.5 as follows:  
(15 ILCS 505/16.5)

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

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

New accounts in the College Savings Pool ~~may shall~~ be processed through participating financial institutions. "Participating financial institution", as used in this Section, means any financial institution insured by the Federal Deposit Insurance Corporation and lawfully doing business in the State of Illinois and any credit union approved by the State Treasurer and lawfully doing business in the State of Illinois that agrees to process new accounts in the College Savings Pool. Participating financial institutions may charge a processing fee to participants to open an account in the pool that shall not exceed \$30 until the year 2001. Beginning in 2001 and every year thereafter, the maximum fee limit shall be adjusted by the Treasurer based on the Consumer Price Index for the North Central Region as published by the United States Department of Labor, Bureau of Labor Statistics for the immediately preceding calendar year. Every contribution received by a financial institution for investment in the College Savings Pool shall be transferred from the financial institution to a location selected by the State Treasurer within one business day following the day that the funds must be made available in accordance with federal law. All communications from the State Treasurer to participants shall reference the participating financial institution at which the account was processed.

The Treasurer may invest the moneys in the College Savings Pool in the same manner, in the same

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types of investments, and subject to the same limitations provided for the investment of moneys by the Illinois State Board of Investment. To enhance the safety and liquidity of the College Savings Pool, to ensure the diversification of the investment portfolio of the pool, and in an effort to keep investment dollars in the State of Illinois, the State Treasurer ~~may shall~~ make a percentage of each account available for investment in participating financial institutions doing business in the State. The State Treasurer ~~may shall~~ deposit with the participating financial institution at which the account was processed the following percentage of each account at a prevailing rate offered by the institution, provided that the deposit is federally insured or fully collateralized and the institution accepts the deposit: 10% of the total amount of each account for which the current age of the beneficiary is less than 7 years of age, 20% of the total amount of each account for which the beneficiary is at least 7 years of age and less than 12 years of age, and 50% of the total amount of each account for which the current age of the beneficiary is at least 12 years of age. ~~The State Treasurer shall adjust each account at least annually to ensure compliance with this Section.~~ The Treasurer shall develop, publish, and implement an investment policy covering the investment of the moneys in the College Savings Pool. The policy shall be published (i) at least once each year in at least one newspaper of general circulation in both Springfield and Chicago and (ii) each year as part of the audit of the College Savings Pool by the Auditor General, which shall be distributed to all participants. The Treasurer shall notify all participants in writing, and the Treasurer shall publish in a newspaper of general circulation in both Chicago and Springfield, any changes to the previously published investment policy at least 30 calendar days before implementing the policy. Any investment policy adopted by the Treasurer shall be reviewed and updated if necessary within 90 days following the date that the State Treasurer takes office.

Participants shall be required to use moneys distributed from the College Savings Pool for qualified expenses at eligible educational institutions. "Qualified expenses", as used in this Section, means the following: (i) tuition, fees, and the costs of books, supplies, and equipment required for enrollment or attendance at an eligible educational institution and (ii) certain room and board expenses incurred while attending an eligible educational institution at least half-time. "Eligible educational institutions", as used in this Section, means public and private colleges, junior colleges, graduate schools, and certain vocational institutions that are described in Section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and that are eligible to participate in Department of Education student aid programs. A student shall be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic work load for the course of study the student is pursuing as determined under the standards of the institution at which the student is enrolled. Distributions made from the pool for qualified expenses shall be made directly to the eligible educational institution, directly to a vendor, or in the form of a check payable to both the beneficiary and the institution or vendor. Any moneys that are distributed in any other manner or that are used for expenses other than qualified expenses at an eligible educational institution shall be subject to a penalty of 10% of the earnings unless the beneficiary dies, becomes disabled, or receives a scholarship that equals or exceeds the distribution. Penalties shall be withheld at the time the distribution is made.

The Treasurer shall limit the contributions that may be made on behalf of a designated beneficiary based on ~~the limitations established by the Internal Revenue Service, an actuarial estimate of what is required to pay tuition, fees, and room and board for 5 undergraduate years at the highest cost eligible educational institution.~~ The contributions made on behalf of a beneficiary who is also a beneficiary under the Illinois Prepaid Tuition Program shall be further restricted to ensure that the contributions in both programs combined do not exceed the limit established for the College Savings Pool. The Treasurer shall provide the Illinois Student Assistance Commission each year at a time designated by the Commission, an electronic report of all participant accounts in the Treasurer's College Savings Pool, listing total contributions and disbursements from each individual account during the previous calendar year. As soon thereafter as is possible following receipt of the Treasurer's report, the Illinois Student Assistance Commission shall, in turn, provide the Treasurer with an electronic report listing those College Savings Pool participants who also participate in the State's prepaid tuition program, administered by the Commission. The Commission shall be responsible for filing any combined tax reports regarding State qualified savings programs required by the United States Internal Revenue Service. The Treasurer shall work with the Illinois Student Assistance Commission to coordinate the marketing of the College Savings Pool and the Illinois Prepaid Tuition Program when considered beneficial by the Treasurer and the Director of the Illinois Student Assistance Commission. The Treasurer's office shall not publicize or otherwise market the College Savings Pool or accept any moneys into the College Savings Pool prior to March 1, 2000. The Treasurer shall provide a separate accounting for each designated beneficiary to each participant, the Illinois Student Assistance Commission, and the participating financial institution at which the account was processed. No interest in the program may be

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pledged as security for a loan.

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

The Treasurer shall adopt rules he or she considers necessary for the efficient administration of the College Savings Pool. The rules shall provide whatever additional parameters and restrictions are necessary to ensure that the College Savings Pool meets all of the requirements for a qualified state tuition program under Section 529 of the Internal Revenue Code (26 U.S.C. 529). The rules shall provide for the administration expenses of the pool to be paid from its earnings and for the investment earnings in excess of the expenses and all moneys collected as penalties to be credited or paid monthly to the several participants in the pool in a manner which equitably reflects the differing amounts of their respective investments in the pool and the differing periods of time for which those amounts were in the custody of the pool. Also, the rules shall require the maintenance of records that enable the Treasurer's office to produce a report for each account in the pool at least annually that documents the account balance and investment earnings. Notice of any proposed amendments to the rules and regulations shall be provided to all participants prior to adoption. Amendments to rules and regulations shall apply only to contributions made after the adoption of the amendment.

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

(Source: P.A. 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff. 7-11-02; 93-812, eff. 1-1-05.)

Section 10. The Illinois Income Tax Act is amended by changing Section 203 as follows:  
(35 ILCS 5/203) (from Ch. 120, par. 2-203)

Sec. 203. Base income defined.

(a) Individuals.

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

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

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

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

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

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

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

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

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(D-15) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code;

(D-16) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (Z) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(D-17) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and

(b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

(iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois tax avoidance; or

(iv) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(D-18) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to

the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence does not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(a)(2)(D-17) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This paragraph shall not apply to the following:

(i) any item of intangible expense or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person during the same taxable year paid, accrued, or incurred, the intangible expense or cost to a person that is not a related member, and

(b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

(iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(D-20) For taxable years beginning on or after January 1, 2002 and ending on or before December 31, 2005, in the case of a

distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B). For taxable years beginning on or after January 1, 2006, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act, (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, or (iii) a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code that, at the time of enrollment and as reasonably determined by either the College Savings Plans Network or the State Treasurer, (I) was in compliance with the College Savings Plans Network's voluntary disclosure principles and (II) was in compliance with the requirement to inform Illinois residents of the existence of the qualified tuition programs administered by the State by either informing Illinois residents directly or informing financial intermediaries distributing the program of the requirement at least annually, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B);

(D-21) For taxable years beginning on or after January 1, 2006, in the case of transfer of moneys from a qualified tuition program under Section 529 of the Internal Revenue Code that is administered by the State to an out-of-state program, an amount equal to the amount of moneys previously deducted from base income under subsection (a)(2)(Y) of this Section,

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

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued

to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard. The provisions of this amendatory Act of the 92nd General Assembly are exempt from the provisions of Section 250;

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

(G) The valuation limitation amount;

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

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

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

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

(L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;

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

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

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

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

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

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

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

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

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

(V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code of 1986, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

(W) For taxable years beginning on or after January 1, 1998, all amounts included in the taxpayer's federal gross income in the taxable year from amounts converted from a regular IRA to a Roth IRA. This paragraph is exempt from the provisions of Section 250;

(X) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(Y) For taxable years beginning on or after January 1, 2002 and ending on or before December 31, 2004, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). For taxable years beginning on or after January 1, 2005, a maximum of \$10,000 contributed in the taxable year to (i) a College Savings Pool account under Section 16.5 of the State Treasurer Act or (ii) the Illinois Prepaid Tuition Trust Fund, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). This subparagraph (Y) is exempt from the provisions of Section 250;

(Z) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code;

(AA) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property;

(BB) Any amount included in adjusted gross income, other than salary, received by a driver in a ridesharing arrangement using a motor vehicle;

(CC) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of that addition modification, and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of that addition modification;

(DD) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-17) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(EE) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-18) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(b) Corporations.

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

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

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

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

(C) In the case of a regulated investment company, an amount equal to the excess of



(i) the net long-term capital gain for the taxable year, over (ii) the amount of the capital gain dividends designated as such in accordance with Section 852(b)(3)(C) of the Internal Revenue Code and any amount designated under Section 852(b)(3)(D) of the Internal Revenue Code, attributable to the taxable year (this amendatory Act of 1995 (Public Act 89-89) is declarative of existing law and is not a new enactment);

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

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

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

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

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

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

(E-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(E-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (I) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(E-12) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

- (a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and
- (b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or
- (iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois tax avoidance; or
- (iv) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(E-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(b)(2)(E-12) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This paragraph shall not apply to the following:

- (i) any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or
- (ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:
  - (a) the foreign person during the same taxable year paid, accrued, or incurred, the intangible expense or cost to a person that is not a related member, and
  - (b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or
  - (iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act; and by deducting from the total so obtained the sum of the following amounts:

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

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

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

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

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

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

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

(M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the Enterprise Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the Enterprise Zone. The subtraction modification available to taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(M-1) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under

the previous sentence;

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

(O) An amount equal to: (i) 85% for taxable years ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, from any such corporation specified in clause (i) that would but for the provisions of Section 1504 (b) (3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends;

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

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

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

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

(T) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code;

(U) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once

with respect to any one piece of property;

(V) The amount of: (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-12), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(W) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-12) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(X) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-13) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

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

(c) Trusts and estates.

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

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

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

(B) In the case of (i) an estate, \$600; (ii) a trust which, under its governing instrument, is required to distribute all of its income currently, \$300; and (iii) any other trust, \$100, but in each such case, only to the extent such amount was deducted in the computation of taxable income;

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

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

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

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

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not

exceed the amount of such carryback or carryforward;

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

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

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

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

(G-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(G-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (R) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(G-12) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and

(b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

(iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois tax avoidance; or

(iv) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other

adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(G-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(c)(2)(G-12) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes: (1) expenses, losses, and costs for or related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This paragraph shall not apply to the following:

(i) any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person during the same taxable year paid, accrued, or incurred, the intangible expense or cost to a person that is not a related member, and

(b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

(iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

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

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

(I) The valuation limitation amount;

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

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

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

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

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

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

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

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax



return under subsection (k) of Section 168 of the Internal Revenue Code;

(S) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property;

(T) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-12), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(U) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-12) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(V) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-13) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

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

(d) Partnerships.

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

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

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

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

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

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

(D-5) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code;

(D-6) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then

an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (O) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(D-7) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and

(b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

(iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois tax avoidance; or

(iv) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act; and

(D-8) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(d)(2)(D-7) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty,

patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets;

This paragraph shall not apply to the following:

(i) any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person during the same taxable year paid, accrued, or incurred, the intangible expense or cost to a person that is not a related member, and

(b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

(iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

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

(E) The valuation limitation amount;

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

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

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

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

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

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, enacted by the 82nd General Assembly, and conducts substantially all of its operations in an Enterprise Zone or Zones;

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

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

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

(O) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code;

(P) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property;

(Q) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-12), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(R) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-7) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(S) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-8) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

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

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

provisions of the Internal Revenue Code. Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

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

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

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

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

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

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

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

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

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

(3) Recapture of business expenses on disposition of asset or business. Notwithstanding any other law to the contrary, if in prior years income from an asset or business has been classified as business income and in a later year is demonstrated to be non-business income, then all expenses, without limitation, deducted in such later year and in the 2 immediately preceding taxable years related to that asset or business that generated the non-business income shall be added back and recaptured as business income in the year of the disposition of the asset or business. Such amount shall be apportioned to Illinois using the greater of the apportionment fraction computed for the

business under Section 304 of this Act for the taxable year or the average of the apportionment fractions computed for the business under Section 304 of this Act for the taxable year and for the 2 immediately preceding taxable years.

(f) Valuation limitation amount.

(1) In general. The valuation limitation amount referred to in subsections (a) (2)

(G), (c) (2) (I) and (d)(2) (E) is an amount equal to:

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

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

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

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

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

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

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

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

(Source: P.A. 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; 93-812, eff. 7-26-04; 93-840, eff. 7-30-04; revised 10-12-04.)

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

Senator Clayborne moved that the foregoing amendment be ordered to lie on the table.

The motion to table prevailed.

Senator Clayborne offered the following amendment and moved its adoption:

#### **AMENDMENT NO. 3 TO SENATE BILL 507**

AMENDMENT NO. 3. Amend Senate Bill 507, AS AMENDED, by replacing everything after the enacting clause with the following:

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

(15 ILCS 505/16.5)

Sec. 16.5. College Savings Pool. The State Treasurer may establish and administer a College Savings Pool to supplement and enhance the investment opportunities otherwise available to persons seeking to finance the costs of higher education. The State Treasurer, in administering the College Savings Pool, may receive moneys paid into the pool by a participant and may serve as the fiscal agent of that

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participant for the purpose of holding and investing those moneys.

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

New accounts in the College Savings Pool ~~may shall~~ be processed through participating financial institutions. "Participating financial institution", as used in this Section, means any financial institution insured by the Federal Deposit Insurance Corporation and lawfully doing business in the State of Illinois and any credit union approved by the State Treasurer and lawfully doing business in the State of Illinois that agrees to process new accounts in the College Savings Pool. Participating financial institutions may charge a processing fee to participants to open an account in the pool that shall not exceed \$30 until the year 2001. Beginning in 2001 and every year thereafter, the maximum fee limit shall be adjusted by the Treasurer based on the Consumer Price Index for the North Central Region as published by the United States Department of Labor, Bureau of Labor Statistics for the immediately preceding calendar year. Every contribution received by a financial institution for investment in the College Savings Pool shall be transferred from the financial institution to a location selected by the State Treasurer within one business day following the day that the funds must be made available in accordance with federal law. All communications from the State Treasurer to participants shall reference the participating financial institution at which the account was processed.

The Treasurer may invest the moneys in the College Savings Pool in the same manner, in the same types of investments, and subject to the same limitations provided for the investment of moneys by the Illinois State Board of Investment. To enhance the safety and liquidity of the College Savings Pool, to ensure the diversification of the investment portfolio of the pool, and in an effort to keep investment dollars in the State of Illinois, the State Treasurer ~~may shall~~ make a percentage of each account available for investment in participating financial institutions doing business in the State. The State Treasurer ~~may shall~~ deposit with the participating financial institution at which the account was processed the following percentage of each account at a prevailing rate offered by the institution, provided that the deposit is federally insured or fully collateralized and the institution accepts the deposit: 10% of the total amount of each account for which the current age of the beneficiary is less than 7 years of age, 20% of the total amount of each account for which the beneficiary is at least 7 years of age and less than 12 years of age, and 50% of the total amount of each account for which the current age of the beneficiary is at least 12 years of age. ~~The State Treasurer shall adjust each account at least annually to ensure compliance with this Section.~~ The Treasurer shall develop, publish, and implement an investment policy covering the investment of the moneys in the College Savings Pool. The policy shall be published (i) at least once each year in at least one newspaper of general circulation in both Springfield and Chicago and (ii) each year as part of the audit of the College Savings Pool by the Auditor General, which shall be distributed to all participants. The Treasurer shall notify all participants in writing, and the Treasurer shall publish in a newspaper of general circulation in both Chicago and Springfield, any changes to the previously published investment policy at least 30 calendar days before implementing the policy. Any investment policy adopted by the Treasurer shall be reviewed and updated if necessary within 90 days following the date that the State Treasurer takes office.

Participants shall be required to use moneys distributed from the College Savings Pool for qualified expenses at eligible educational institutions. "Qualified expenses", as used in this Section, means the following: (i) tuition, fees, and the costs of books, supplies, and equipment required for enrollment or attendance at an eligible educational institution and (ii) certain room and board expenses incurred while attending an eligible educational institution at least half-time. "Eligible educational institutions", as used in this Section, means public and private colleges, junior colleges, graduate schools, and certain vocational institutions that are described in Section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and that are eligible to participate in Department of Education student aid programs. A student shall be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic work load for the course of study the student is pursuing as determined under the standards of the institution at which the student is enrolled. Distributions made from the pool for qualified expenses shall be made directly to the eligible educational institution, directly to a vendor, or in the form of a check payable to both the beneficiary and the institution or vendor. Any moneys that are distributed in any other manner or that are used for expenses other than qualified expenses at an eligible educational institution shall be subject to a penalty of 10% of the earnings unless the beneficiary dies, becomes disabled, or receives a scholarship that equals or exceeds the distribution. Penalties shall be withheld at the time the distribution is made.

The Treasurer shall limit the contributions that may be made on behalf of a designated beneficiary

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based on ~~the limitations established by the Internal Revenue Service, an actuarial estimate of what is required to pay tuition, fees, and room and board for 5 undergraduate years at the highest cost eligible educational institution.~~ The contributions made on behalf of a beneficiary who is also a beneficiary under the Illinois Prepaid Tuition Program shall be further restricted to ensure that the contributions in both programs combined do not exceed the limit established for the College Savings Pool. The Treasurer shall provide the Illinois Student Assistance Commission each year at a time designated by the Commission, an electronic report of all participant accounts in the Treasurer's College Savings Pool, listing total contributions and disbursements from each individual account during the previous calendar year. As soon thereafter as is possible following receipt of the Treasurer's report, the Illinois Student Assistance Commission shall, in turn, provide the Treasurer with an electronic report listing those College Savings Pool participants who also participate in the State's prepaid tuition program, administered by the Commission. The Commission shall be responsible for filing any combined tax reports regarding State qualified savings programs required by the United States Internal Revenue Service. The Treasurer shall work with the Illinois Student Assistance Commission to coordinate the marketing of the College Savings Pool and the Illinois Prepaid Tuition Program when considered beneficial by the Treasurer and the Director of the Illinois Student Assistance Commission. The Treasurer's office shall not publicize or otherwise market the College Savings Pool or accept any moneys into the College Savings Pool prior to March 1, 2000. The Treasurer shall provide a separate accounting for each designated beneficiary to each participant, the Illinois Student Assistance Commission, and the participating financial institution at which the account was processed. No interest in the program may be pledged as security for a loan.

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

The Treasurer shall adopt rules he or she considers necessary for the efficient administration of the College Savings Pool. The rules shall provide whatever additional parameters and restrictions are necessary to ensure that the College Savings Pool meets all of the requirements for a qualified state tuition program under Section 529 of the Internal Revenue Code (26 U.S.C. 529). The rules shall provide for the administration expenses of the pool to be paid from its earnings and for the investment earnings in excess of the expenses and all moneys collected as penalties to be credited or paid monthly to the several participants in the pool in a manner which equitably reflects the differing amounts of their respective investments in the pool and the differing periods of time for which those amounts were in the custody of the pool. Also, the rules shall require the maintenance of records that enable the Treasurer's office to produce a report for each account in the pool at least annually that documents the account balance and investment earnings. Notice of any proposed amendments to the rules and regulations shall be provided to all participants prior to adoption. Amendments to rules and regulations shall apply only to contributions made after the adoption of the amendment.

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

(Source: P.A. 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff. 7-11-02; 93-812, eff. 1-1-05.)

Section 10. The Illinois Income Tax Act is amended by changing Section 203 as follows:  
(35 ILCS 5/203) (from Ch. 120, par. 2-203)

Sec. 203. Base income defined.

(a) Individuals.

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

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

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

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

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

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

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

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

(D-15) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code;

(D-16) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (Z) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(D-17) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and

(b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

(iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois

tax avoidance; or

(iv) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(D-18) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence does not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(a)(2)(D-17) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This paragraph shall not apply to the following:

(i) any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person during the same taxable year paid, accrued, or incurred, the intangible expense or cost to a person that is not a related member, and

(b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

(iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(D-20) For taxable years beginning on or after January 1, 2002 and ending on or before December 31, 2005, in the case of a

distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer

Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B). For taxable years beginning on or after January 1, 2006, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act, (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, or (iii) a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code that (I) adopts and determines that its offering materials comply with the College Savings Plans Network's disclosure principles and (II) has made reasonable efforts to inform in-state residents of the existence of in-state qualified tuition programs by informing Illinois residents directly and, where applicable, to inform financial intermediaries distributing the program to inform in-state residents of the existence of in-state qualified tuition programs at least annually, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B).

For the purposes of this subparagraph (D-20), a qualified tuition program has made reasonable efforts if it makes disclosures (which may use the term "in-state program" or "in-state plan" and need not specifically refer to Illinois or its qualified programs by name) (i) directly to prospective participants in its offering materials or makes a public disclosure, such as a website posting; and (ii) where applicable, to intermediaries selling the out-of-state program in the same manner that the out-of-state program distributes its offering materials;

(D-21) For taxable years beginning on or after January 1, 2006, in the case of transfer of moneys from a qualified tuition program under Section 529 of the Internal Revenue Code that is administered by the State to an out-of-state program, an amount equal to the amount of moneys previously deducted from base income under subsection (a)(2)(Y) of this Section.

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

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard. The provisions of this amendatory Act of the 92nd General Assembly are exempt from the provisions of Section 250;

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

(G) The valuation limitation amount;

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

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

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

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

(L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;

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

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

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

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

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

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

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

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

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

(V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code of 1986, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

(W) For taxable years beginning on or after January 1, 1998, all amounts included in the taxpayer's federal gross income in the taxable year from amounts converted from a regular IRA to a Roth IRA. This paragraph is exempt from the provisions of Section 250;

(X) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by

Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(Y) For taxable years beginning on or after January 1, 2002 and ending on or before December 31, 2004, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). For taxable years beginning on or after January 1, 2005, a maximum of \$10,000 contributed in the taxable year to (i) a College Savings Pool account under Section 16.5 of the State Treasurer Act or (ii) the Illinois Prepaid Tuition Trust Fund, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). This subparagraph (Y) is exempt from the provisions of Section 250;

(Z) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code;

(AA) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property;

(BB) Any amount included in adjusted gross income, other than salary, received by a driver in a ridesharing arrangement using a motor vehicle;

(CC) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of that addition modification, and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of that addition modification;

(DD) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who

would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-17) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(EE) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-18) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(b) Corporations.

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

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

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

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

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

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

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

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

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

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

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

(E-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(E-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal

income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (T) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(E-12) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and

(b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

(iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois tax avoidance; or

(iv) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(E-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(b)(2)(E-12) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or

management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This paragraph shall not apply to the following:

(i) any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person during the same taxable year paid, accrued, or incurred, the intangible expense or cost to a person that is not a related member, and

(b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

(iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

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

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

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

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

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

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

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

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



be eligible for the deduction provided under this subparagraph (L);

(M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the Enterprise Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the Enterprise Zone. The subtraction modification available to taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(M-1) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

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

(O) An amount equal to: (i) 85% for taxable years ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, from any such corporation specified in clause (i) that would but for the provisions of Section 1504 (b) (3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends;

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

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

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

(S) For taxable years ending on or after December 31, 1997, in the case of a

Subchapter S corporation, an amount equal to all amounts of income allocable to a shareholder subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act, including amounts allocable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code. This subparagraph (S) is exempt from the provisions of Section 250;

(T) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code;

(U) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property;

(V) The amount of: (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-12), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(W) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-12) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(X) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-13) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

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

(c) Trusts and estates.

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

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

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

(B) In the case of (i) an estate, \$600; (ii) a trust which, under its governing instrument, is required to distribute all of its income currently, \$300; and (iii) any other trust, \$100, but in each such case, only to the extent such amount was deducted in the computation of taxable income;

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

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

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

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

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

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

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

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

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

(G-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(G-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (R) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(G-12) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section

78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and

(b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

(iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois tax avoidance; or

(iv) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

(G-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(c)(2)(G-12) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes: (1) expenses, losses, and costs for or related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This paragraph shall not apply to the following:

(i) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person during the same taxable year paid, accrued, or

incurred, the intangible expense or cost to a person that is not a related member, and

(b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

(iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

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

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

(I) The valuation limitation amount;

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

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

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

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

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

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

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

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during,

and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code;

(S) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property;

(T) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-12), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(U) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-12) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(V) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-13) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

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

year.

(d) Partnerships.

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

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

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

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

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

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

(D-5) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code;

(D-6) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (O) with respect to that property.

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(D-7) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred.

This paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person, during the same taxable year, paid, accrued, or incurred, the interest to a person that is not a related member, and

(b) the transaction giving rise to the interest expense between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

(iii) the taxpayer can establish, based on clear and convincing evidence, that the interest paid, accrued, or incurred relates to a contract or agreement entered into at arm's-length rates and terms and the principal purpose for the payment is not federal or Illinois tax avoidance; or

(iv) an item of interest paid, accrued, or incurred, directly or indirectly, to

a foreign person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act; and

(D-8) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(d)(2)(D-7) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets;

This paragraph shall not apply to the following:

(i) any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country or state, other than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such item; or

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, if the taxpayer can establish, based on a preponderance of the evidence, both of the following:

(a) the foreign person during the same taxable year paid, accrued, or incurred, the intangible expense or cost to a person that is not a related member, and

(b) the transaction giving rise to the intangible expense or cost between the taxpayer and the foreign person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

(iii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f);

Nothing in this subsection shall preclude the Director from making any other adjustment otherwise allowed under Section 404 of this Act for any tax year beginning after the effective date of this amendment provided such adjustment is made pursuant to regulation adopted by the Department and such regulations provide methods and standards by which the Department will utilize its authority under Section 404 of this Act;

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

(E) The valuation limitation amount;

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

(G) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C) and (D) which are exempt from taxation by this State either by reason



of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

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

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

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

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, enacted by the 82nd General Assembly, and conducts substantially all of its operations in an Enterprise Zone or Zones;

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

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

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

(O) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code;

(P) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property;

(Q) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-12), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto)

taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(R) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-7) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(S) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-8) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

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

(1) In general. Subject to the provisions of paragraph (2) and subsection (b) (3), for purposes of this Section and Section 803(e), a taxpayer's gross income, adjusted gross income, or taxable income for the taxable year shall mean the amount of gross income, adjusted gross income or taxable income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code. Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

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

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

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

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

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

(E) Consolidated corporations. In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated income tax return for the taxable year for federal income tax purposes, taxable income determined as if such corporation had filed a separate return for federal income tax purposes for the taxable year and each preceding taxable year for which it was a member of an affiliated group. For purposes of this subparagraph, the taxpayer's

separate taxable income shall be determined as if the election provided by Section 243(b) (2) of the Internal Revenue Code had been in effect for all such years;

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

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

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

(3) Recapture of business expenses on disposition of asset or business. Notwithstanding any other law to the contrary, if in prior years income from an asset or business has been classified as business income and in a later year is demonstrated to be non-business income, then all expenses, without limitation, deducted in such later year and in the 2 immediately preceding taxable years related to that asset or business that generated the non-business income shall be added back and recaptured as business income in the year of the disposition of the asset or business. Such amount shall be apportioned to Illinois using the greater of the apportionment fraction computed for the business under Section 304 of this Act for the taxable year or the average of the apportionment fractions computed for the business under Section 304 of this Act for the taxable year and for the 2 immediately preceding taxable years.

(f) Valuation limitation amount.

(1) In general. The valuation limitation amount referred to in subsections (a) (2)

(G), (c) (2) (I) and (d)(2) (E) is an amount equal to:

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

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

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

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

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

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

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

(h) Legislative intention. Except as expressly provided by this Section there shall be no modifications or limitations on the amounts of income, gain, loss or deduction taken into account in determining gross income, adjusted gross income or taxable income for federal income tax purposes for the taxable year, or in the amount of such items entering into the computation of base income and net income under this Act for such taxable year, whether in respect of property values as of August 1, 1969 or otherwise. (Source: P.A. 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; 93-812, eff. 7-26-04; 93-840, eff. 7-30-04; revised 10-12-04.)

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

The motion prevailed.

And the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 3 was ordered engrossed, and the bill, as amended was ordered to a third reading.

### READING OF BILL OF THE SENATE A THIRD TIME

On motion of Senator Clayborne, **Senate Bill No. 507**, having been transcribed and typed and all amendments adopted thereto having been printed, was taken up and read by title a third time.

And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote:

Yeas 46; Nays 2.

The following voted in the affirmative:

Althoff	Garrett	Maloney	Shadid
Bomke	Geo-Karis	Martinez	Sieben
Burzynski	Haine	Munoz	Silverstein
Clayborne	Halvorson	Pankau	Sullivan, J.
Collins	Harmon	Radogno	Syverson
Crotty	Hendon	Raoul	Trotter
Dahl	Hunter	Righter	Watson
del Valle	Jacobs	Risinger	Wilhelmi
DeLeo	Jones, J.	Ronen	Winkel
Demuzio	Jones, W.	Rutherford	Mr. President
Dillard	Lightford	Sandoval	
Forby	Link	Schoenberg	

The following voted in the negative:

Lauzen  
Rauschenberger

This bill, having received the vote of a constitutional majority of the members elected, was declared passed, and all amendments not adopted were tabled pursuant to Senate Rule No. 5-4(a).

Ordered that the Secretary inform the House of Representatives thereof and ask their concurrence therein.

### SENATE BILL RECALLED

On motion of Senator Harmon, **Senate Bill No. 1246** was recalled from the order of third reading to the order of second reading.

Senator Harmon offered the following amendment and moved its adoption:

[May 28, 2005]

**AMENDMENT NO. 1 TO SENATE BILL 1246**

AMENDMENT NO. 1. Amend Senate Bill 1246 by replacing everything after the enacting clause with the following:

"Section 5. If and only if the provisions of House Bill 2525 of the 94th General Assembly changing Sections 2 and 8 of the Physical Fitness Services Act become law, the Physical Fitness Services Act is amended by changing Sections 2 and 8 as follows:

(815 ILCS 645/2) (from Ch. 29, par. 52)

Sec. 2. Definitions. (a) "Physical fitness center" or "center" means any person or business entity offering physical fitness services to the public.

(b) "Physical fitness services" or "services" includes instruction, training or assistance in physical culture, bodybuilding, exercising, weight reducing, figure development, judo, karate, self-defense training, or any similar activity; use of the facilities of a physical fitness center for any of the above activities; or membership in any group formed by a physical fitness center for any of the above purposes.

(c) "Basic physical fitness services" means access or membership to the physical fitness center and the use of the equipment and facilities as well as any classes, programs or physical fitness services offered by the physical fitness center as provided under subsection (b) of this Section, which are allowed for or provided as part of the membership fee or package, and excluding optional physical fitness services and any non-physical fitness services which may be offered by the physical fitness center.

(d) "Optional physical fitness services" means additional goods or physical fitness services offered by the physical fitness center which are not part of the membership package or contract but are available for additional cost and includes, but are not limited to, personal training services, physical fitness, wellness or exercise classes, nutritional counseling, weight reduction, court time, privileges to use other physical fitness centers, and use of specialized physical fitness equipment or facilities such as rock climbing walls or aquatic facilities.

(e) "Personal training services" means services performed for a fee by a personal trainer or fitness instructor for individuals or groups relating to developing, monitoring or supervising physical training, exercise or fitness programs, education and instruction regarding the use of exercise equipment or techniques, or rendering advice relating to any of the aforementioned subjects or related issues such as diet.

(f) "Non-physical fitness services" means services or amenities offered by the physical fitness center which are not directly related to physical fitness activities and which are not included in the price of membership to the physical fitness center and includes, but are not limited to, locker fees, spa treatments, massage, tanning, personal grooming services, laundry fees, room rental, parking, food and beverage, vitamins, nutritional supplements, shoes, clothing, clothing apparel, and sports or exercise equipment.

(Source: P.A. 84-850; 94HB2525enr.)

(815 ILCS 645/8) (from Ch. 29, par. 58)

Sec. 8. Prohibited contract provisions. (a) No contract for basic physical fitness services shall require payment of a total amount in excess of \$2500 per year, and every such contract must so provide in writing; except that this limit shall not apply to any contract for: (1) family or couple memberships, or (2) group memberships, where the purchaser is a corporation or other business entity or any social, fraternal or charitable organization not created for the purpose of encouraging this contractual arrangement.

(b) No contract for family or couple memberships for basic physical fitness services shall require payment in excess of \$2,500 per year per person covered under the membership.

(c) No contract for physical fitness services shall require payments or financing over a period in excess of 3 years from the date the contract is entered into, nor shall the term of any such contract be measured by the life of the customer. The initial term of services to be rendered under the contract may not extend over a period of more than 2 years from the date the parties enter into the contract; provided that the customer may be given an option to renew the contract for consecutive periods of not more than one year each for a reasonable consideration not less than 10% of the cash price of the original membership.

(d) No contract for physical fitness services shall require or entail the execution of any note by the customer which, when separately negotiated, will cut off as to third parties any right of action or defense which the customer may have against the physical fitness center. No right of action or defense arising out of a contract for physical fitness services which the customer has against the center shall be cut off by assignment of the contract whether or not the assignee acquires the contract in good faith and for value. Such an assignee is not a holder in due course.

(Source: P.A. 84-1463; 94HB2525enr.)".

[May 28, 2005]

The motion prevailed.

And the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was ordered engrossed, and the bill, as amended was ordered to a third reading.

### READING OF BILL OF THE SENATE A THIRD TIME

On motion of Senator Harmon, **Senate Bill No. 1246**, having been transcribed and typed and all amendments adopted thereto having been printed, was taken up and read by title a third time.

And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote:

Yeas 45; Nays 2.

The following voted in the affirmative:

Althoff	Geo-Karis	Maloney	Shadid
Bomke	Haine	Martinez	Sieben
Burzynski	Halvorson	Munoz	Silverstein
Clayborne	Harmon	Pankau	Sullivan, J.
Collins	Hendon	Radogno	Syverson
Crotty	Hunter	Raoul	Trotter
Dahl	Jacobs	Righter	Watson
del Valle	Jones, J.	Risinger	Winkel
DeLeo	Jones, W.	Ronen	Mr. President
Dillard	Lauzen	Rutherford	
Forby	Lightford	Sandoval	
Garrett	Link	Schoenberg	

The following voted in the negative:

Rauschenberger  
Wilhelmi

This bill, having received the vote of a constitutional majority of the members elected, was declared passed, and all amendments not adopted were tabled pursuant to Senate Rule No. 5-4(a).

Ordered that the Secretary inform the House of Representatives thereof and ask their concurrence therein.

### MESSAGES FROM THE HOUSE

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 337

A bill for AN ACT concerning courts.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 337

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

[May 28, 2005]

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 1870

A bill for AN ACT concerning civil law.

Which amendment is as follows:

Senate Amendment No. 2 to HOUSE BILL NO. 1870

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 1968

A bill for AN ACT concerning elections.

Which amendments are as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 1968

Senate Amendment No. 3 to HOUSE BILL NO. 1968

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2004

A bill for AN ACT concerning education.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2004

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2343

A bill for AN ACT concerning State government.

Which amendment is as follows:

Senate Amendment No. 2 to HOUSE BILL NO. 2343

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2345

A bill for AN ACT concerning regulation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2345

[May 28, 2005]

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2351

A bill for AN ACT concerning transportation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2351

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2380

A bill for AN ACT in relation to public health.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2380

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2449

A bill for AN ACT concerning transportation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2449

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2462

A bill for AN ACT concerning revenue.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2462

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

[May 28, 2005]



Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 2578

A bill for AN ACT in relation to health.

Which amendments are as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2578

Senate Amendment No. 2 to HOUSE BILL NO. 2578

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 2853

A bill for AN ACT concerning business.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 2853

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 3048

A bill for AN ACT concerning regulation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 3048

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 3532

A bill for AN ACT concerning methamphetamine.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 3532

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by

Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 3628

A bill for AN ACT concerning children.

Which amendments are as follows:

Senate Amendment No. 2 to HOUSE BILL NO. 3628

[May 28, 2005]

Senate Amendment No. 3 to HOUSE BILL NO. 3628  
Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 3678

A bill for AN ACT concerning schools.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 3678

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 3800

A bill for AN ACT concerning the Metropolitan Water Reclamation District.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 3800

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 3874

A bill for AN ACT concerning criminal law.

Which amendments are as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 3874

Senate Amendment No. 2 to HOUSE BILL NO. 3874

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendment to a bill of the following title, to-wit:

HOUSE BILL 4014

A bill for AN ACT concerning regulation.

Which amendment is as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 4014

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

[May 28, 2005]

A message from the House by  
Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 4023

A bill for AN ACT concerning criminal law.

Which amendments are as follows:

Senate Amendment No. 1 to HOUSE BILL NO. 4023

Senate Amendment No. 2 to HOUSE BILL NO. 4023

Senate Amendment No. 3 to HOUSE BILL NO. 4023

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the adoption of their amendments to a bill of the following title, to-wit:

HOUSE BILL 4030

A bill for AN ACT concerning sex offenders.

Which amendments are as follows:

Senate Amendment No. 2 to HOUSE BILL NO. 4030

Senate Amendment No. 3 to HOUSE BILL NO. 4030

Concurred in by the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

A message from the House by  
Mr. Mahoney, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has concurred with the Senate in the passage of bills of the following titles, to-wit:

SENATE BILL NO. 926

A bill for AN ACT concerning regulation.

SENATE BILL NO. 945

A bill for AN ACT concerning liquor.

SENATE BILL NO. 1267

A bill for AN ACT concerning employment.

Passed the House, May 28, 2005.

MARK MAHONEY, Clerk of the House

At the hour of 5:16 o'clock p.m., the Chair announced that the Senate stand adjourned until Sunday, May 29, 2005, at 3:00 o'clock p.m.