



HB 174

SECTION BY SECTION SYNOPSIS

I. (15 ILCS 20/50-20), Responsible Education Funding Law

Sec. 50-20(b-5)

Page 2, Line 18:

- In FY 2010, no General Fund appropriation to ISBE, The Higher Ed Board, The Community College Board, Student Assistance Commission, or any public university may be decreased from FY 2009 funding levels, unless the appropriation is based on actual cost, and that cost has been estimated to be lower in FY 2010 than FY 2009. Even then, aggregate General Fund appropriation may not be less than FY 2009 levels.

Sec. 50-20(b-10)

Page 3, Line 10:

- Starting in FY 2011 and going forward, the first 33 1/3% of new revenue generated by HB 174 will be transferred from the General Revenue Fund to the Common School Fund, and 16 2/3% of the new revenue generated by HB 174 will be transferred from GRF to the Higher Ed Fund.

Sec 50-20(b-15)

Page 3, Line 17, b-15:

- Creates the Higher Ed Fund as a special fund dedicated solely to covering higher ed needs. Monies in this fund may not be transferred to any other fund, and are not subject to administrative charges.

II. (30 ILCS 105/5.720 new), Digital Learning Grant Fund

(105 ILCS 5/2-3.148)

Sec. 2-3.148

Page 4, Line 6 (but substance is on pages 81-87):

- The Digital Learning Technology Grant Program (DLTGP) creates a new grant ISBE may make to school districts and charter schools to integrate information technology and science equipment as tools to "measurably improve" teaching and learning in grades 9-12. Grants will last four fiscal years, and may be renewed according to rules to be created by ISBE.
- The grant program is not specifically funded, but instead made subject to appropriation.
- Grants will be given based on: level of information technology in the school now, how well goals address needs, validity and clarity of integration plan, accountability measures, cooperation with other businesses, ability to coordinate with existing IL Math & Science Academy Law, any other criteria ISBE establishes to ensure grants go where needed most.
- Grantees must submit annual reports to state, outlining: how monies are used and progress towards funded goals.
- State may accept monies as gifts for this fund. All monies in this fund are to be used on grant making activities.

III. (35 ILCS 5/201), The Illinois Income Tax Act

Secs. 201(b)(3), (b)(4) and (b)(5)

Pages 5-6:

- These sections increase the state personal income tax rate from 3% to 5% of the net income for all individuals, trusts and estates, effective as of 7/1/09.

Secs. 201(b)(9) and (b)(10)

Pages 6-7:

- These sections increase the state's corporate income tax rate from 4.8% to 5.0%, also effective as of July 1, 2009.

Sec. 201(m)

Page 33:

- The education expense credit for tuition, book fees and lab fees is increased from \$500 to \$1000 for years ending after/on 1/1/10. The credit remains nonrefundable.

IV. (35 ILCS 5/202.5 new), Net Income Before/After HB 174 Becomes Effective on 7/1/09

Secs. 202.5, (a)-(d)

Pages 37-40:

- These sections are included in HB 174 as a technical clean-up, ensuring taxpayers don't try to allocate all their net income to the portion of the tax year that had the lower, income tax rates existing before the new higher rates take effect under the bill.
- The basic rule is, a taxpayer's net income will generally be allocated based on a ratio as follows: for the lower tax rate applicable prior to the change in law under HB 174, the ratio will be determined by dividing the number of days in that taxpayer's tax year up to July 1, 2009, by the total days in that tax year; and for the greater tax rate applicable after HB 174 becomes effective, the ratio will be the number of days in that taxpayer's tax year from and after 7/1/09, divided by the number of days in the entire tax year.
- Provision is made for exceptions to the basic rule, for taxpayers that desire to attribute income or deductions to specific tax year periods.

V. (35 ILCS 5/204) (from Ch. 120, par. 2-204), Standard Exemption

Secs. 204(b)(3) and (4)

Pages 40 and 41:

- Increases the standard exemption under the state's personal income tax from \$2,000 to \$3,000, effective July 1, 2009.
- Creates special allocations of the increased standard exemption for tax years starting before 7/1/09 but ending after 6/30/09 (see Sec. 202.5(d)).

VI. (35 ILCS 5/208) (from Ch. 120, par. 2-208), Tax Credits for Residential Real Property Values

Sec. 208, Tax credits for residential property values

Pages 43-45:

- Doubles the residential property tax credit homeowners in Illinois can claim against their state income tax from 5% of the property taxes paid on their principal residence in Illinois to 10%, for tax years ending after June 30, 2009. (The credit will be prorated for tax years that end after June 30, 2009, but that begin before July 1, 2009, as provided in Section 202.5(d).)
- Limits the value of the tax credit to \$1,500 in the first year, which limit is increased annually thereafter by CPI.
- Makes the credit refundable.

VII. (35 ILCS 5/212), Earned Income Tax Credit

Secs. 212(a)(1) and (2)

Page 45:

- Triples the state's EITC from an amount equal to 5% of the federal earned income tax credit claimed by an individual taxpayer, to 15% of the federal earned income tax credit claimed. Increase will be effective for each tax year ending in 2009 or thereafter.

VIII. (35 ILCS 5/804) (from Ch. 120, par. 8-804), Failure to Pay Estimated Tax

Sec. 804

Pages 47 and 48:

- Increases the amount of quarterly estimated taxes a taxpayer must pay to avoid penalties, to that amount which is 25% of 120% of the taxes paid by that taxpayer in the prior year (this is up from one-quarter of 100% of taxes paid in the prior year).

IX. (35 ILCS 5/901) (from Ch. 120, par. 9-901)

Sec. 901, Collection Authority

Subsection 901(b), Local Government Distributive Fund

Pages 53-54:

- Diverts \$20,800,000 per month from the Local Government Distributive Fund to the Common School Fund for the 12 month period beginning August 1, 2009, through July 1, 2009 [SIC]—actually means to be July 1, 2010.
- This effectively invests an additional \$249.6 million in education that otherwise would have funded local governments over this period.

X. (35 ILCS 120/1), The Retailers' Occupation Tax (i.e. the State Sales Tax)

Sec. 1, Definitions

Pages 62-64:

- “Sale at Retail” definition is expanded to include all the services identified in Table 1 by both service type and North American Industry Classification System (1997 Manual) numbers:

Table 1	
Service	NAICS Number
Warehousing	49319
Travel Agent	56151
Carpet Cleaning	56174
Dating Services	8129902
Dry Cleaning, but not coin operated	81232
Consumer Goods Rental	5322
Health Clubs, Tan Salon	81219
Linen Supply	812331
Interior Design	54141
Other Incl. Copy Shops	561439
Bowling Alley	71395
Coin Operated Video Games/Pinball	71312
Membership Fee, Private Clubs	71391
Admission to Spectator Sports, Except Horse Race	7112
Admission to Cultural Events	711
Billiard Hall	71399
Scenic Transportation	487
Tax/Limo	4853
Charter Passenger Air Transit	481211
Movie Theatre, Except Drive-in	512131
Pet Grooming	81291
Landscaping	56173
Intrastate Person Transit	485
Mini Storage	53113
Household Goods Storage	49311
Cold Storage	49312
Marina Service	71393
Marina Towing	48833
Gift Wrapping	5619
Coin Operated Laundry/Dry Cleaning	81231
Services related to buildings and dwellings	56179
Water Softening	5619902
Internet Providers	518111
Auto Rental	532111
Information Services	519190
Amusement Park Admission	71311
Circus/Fair Admission	7113
Cable TV Distribution	5175
Video/DVD Rental	53223

XI. (35 ILCS 120/2), Tax Imposed

Sec. 2

Page 71:

- Applies to persons engaged in providing the services described in Table 1

XII. (35 ILCS 5/1C-2), Early Childhood Block Grants

Sec. 1C-2(d)

Page 73:

- For FY 2010, GA will approp no less than \$380,261,400 to Early Childhood Block Grant

XIII. (35 ILCS 5/2-3.25c), Financial and Other Awards

Secs. 2-3.25c

Subsections (b), (c) and (d)

Pages 73 and 74:

- Creates a special fund to provide awards to schools. The fund would be subject to administrative charge-backs.
- Allows the superintendent to provide financial awards to schools that show the greatest improvement in student achievement and school completion.
- Awards are not funded, but subject to appropriation
- Money received can't be used for staff compensation in districts with less than 500,000 children.

XIV. (35 ILCS 5/18-8.05), Basis for Apportionment of General State Financial Aid and Supplemental General State Aid to Schools

Sec. 18-8.05(b)(4)

Pages 121 and 122:

- Creates a legislative expectation (not obligation) that by the 2013-2014 school year, the Foundation Level be \$8,410 (which is the 2006-2007 EFAB recommendation, adjusted for inflation). Intends that this level be reached "as soon as practicable" using the new revenue under HB 174.
- Sets the Foundation Level for the 2010-2011 school year at \$6,190, and establishes that the Foundation Level shall not be less than that amount going forward.

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