

**Rep. Barbara Flynn Currie**

**Filed: 5/25/2012**

09700SB2194ham003

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AMENDMENT TO SENATE BILL 2194

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AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 2194, AS AMENDED,  
3 by replacing everything after the enacting clause with the  
4 following:

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"ARTICLE 1. CIGARETTE MACHINE OPERATORS' OCCUPATION TAX ACT

6

Section 1-1. Short title. This Act may be cited as the  
7 Cigarette Machine Operators' Occupation Tax Act.

8

Section 1-5. Definitions. As used in this Act:

9

"Business" means any trade, occupation, activity or  
10 enterprise engaged in for the purpose of selling cigarettes in  
11 this State.

12

"Cigarette" means any roll for smoking made wholly or in  
13 part of tobacco, irrespective of size or shape and whether or  
14 not such tobacco is flavored, adulterated or mixed with any  
15 other ingredient, and the wrapper or cover of which is made of

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paper or any other substance or material except tobacco.

2

"Cigarette machine" means any machine, equipment or device  
3 used to make or fabricate cigarettes.

1 that cigarette machine or any retail space containing a  
2 cigarette machine. The notice shall contain information about  
3 this Act, including: (i) licensure requirements for cigarette  
4 machine operators; (ii) tax collection and remittance duties of  
5 cigarette machine operators; (iii) any product limitations  
6 imposed on cigarette machines by this Act; and (iv) packaging  
7 and labeling requirements.

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ARTICLE 5. AMENDATORY PROVISIONS

9 Section 5-5. The Illinois Income Tax Act is amended by  
10 adding Section 223 as follows:

11 (35 ILCS 5/223 new)

12 Sec. 223. Hospital credit.

13 (a) For tax years ending on or after December 31, 2012, a  
14 taxpayer that is the owner of a hospital licensed under the  
15 Hospital Licensing Act, but not including an organization that  
16 is exempt from federal income taxes under the Internal Revenue  
17 Code, is entitled to a credit against the taxes imposed under  
18 subsections (a) and (b) of Section 201 of this Act in an amount  
19 equal to the lesser of the amount of real property taxes paid  
20 during the tax year on real property used for hospital purposes  
21 during the prior tax year or the cost of free or discounted  
22 services provided during the tax year pursuant to the  
23 hospital's charitable financial assistance policy, measured at

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1 cost.

2 (b) If the taxpayer is a partnership or Subchapter S  
3 corporation, the credit is allowed to the partners or  
4 shareholders in accordance with the determination of income and  
5 distributive share of income under Sections 702 and 704 and  
6 Subchapter S of the Internal Revenue Code. A transfer of this  
7 credit may be made by the taxpayer earning the credit within  
8 one year after the credit is earned in accordance with rules  
9 adopted by the Department. The Department shall prescribe rules

10 to enforce and administer provisions of this Section. If the  
11 amount of the credit exceeds the tax liability for the year,  
12 then the excess credit may be carried forward and applied to  
13 the tax liability of the 5 taxable years following the excess  
14 credit year. The credit shall be applied to the earliest year  
15 for which there is a tax liability. If there are credits from  
16 more than one tax year that are available to offset a  
17 liability, the earlier credit shall be applied first. In no  
18 event shall a credit under this Section reduce the taxpayer's  
19 liability to less than zero.

20 Section 5-10. The Use Tax Act is amended by adding Section  
21 3-8 as follows:

22 (35 ILCS 105/3-8 new)

23 Sec. 3-8. Hospital exemption.

24 (a) Tangible personal property sold to or used by a

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1 hospital owner that owns one or more hospitals licensed under  
2 the Hospital Licensing Act or operated under the University of  
3 Illinois Hospital Act, or a hospital affiliate that is not  
4 already exempt under another provision of this Act and meets  
5 the criteria for an exemption under this Section, is exempt  
6 from taxation under this Act.

7 (b) A hospital owner or hospital affiliate satisfies the  
8 conditions for an exemption under this Section if the value of  
9 qualified services or activities listed in subsection (c) of  
10 this Section for the hospital year equals or exceeds the  
11 relevant hospital entity's estimated property tax liability,  
12 without regard to any property tax exemption granted under  
13 Section 15-86 of the Property Tax Code, for the calendar year  
14 in which exemption or renewal of exemption is sought. For  
15 purposes of making the calculations required by this subsection  
16 (b), if the relevant hospital entity is a hospital owner that  
17 owns more than one hospital, the value of the services or  
18 activities listed in subsection (c) shall be calculated on the

19 basis of only those services and activities relating to the  
20 hospital that includes the subject property, and the relevant  
21 hospital entity's estimated property tax liability shall be  
22 calculated only with respect to the properties comprising that  
23 hospital. In the case of a multi-state hospital system or  
24 hospital affiliate, the value of the services or activities  
25 listed in subsection (c) shall be calculated on the basis of  
26 only those services and activities that occur in Illinois and

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1 the relevant hospital entity's estimated property tax  
2 liability shall be calculated only with respect to its property  
3 located in Illinois.

4 (c) The following services and activities shall be  
5 considered for purposes of making the calculations required by  
6 subsection (b):

7 (1) Charity care. Free or discounted services provided  
8 pursuant to the relevant hospital entity's financial  
9 assistance policy, measured at cost, including discounts  
10 provided under the Hospital Uninsured Patient Discount  
11 Act.

12 (2) Health services to low-income and underserved  
13 individuals. Other unreimbursed costs of the relevant  
14 hospital entity for providing without charge, paying for,  
15 or subsidizing goods, activities, or services for the  
16 purpose of addressing the health of low-income or  
17 underserved individuals. Those activities or services may  
18 include, but are not limited to: financial or in-kind  
19 support to affiliated or unaffiliated hospitals, hospital  
20 affiliates, community clinics, or programs that treat  
21 low-income or underserved individuals; paying for or  
22 subsidizing health care professionals who care for  
23 low-income or underserved individuals; providing or  
24 subsidizing outreach or educational services to low-income  
25 or underserved individuals for disease management and  
26 prevention; free or subsidized goods, supplies, or

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1 services needed by low-income or underserved individuals  
2 because of their medical condition; and prenatal or  
3 childbirth outreach to low-income or underserved persons.

4 (3) Subsidy of State or local governments. Direct or  
5 indirect financial or in-kind subsidies of State or local  
6 governments by the relevant hospital entity that pay for or  
7 subsidize activities or programs related to health care for  
8 low-income or underserved individuals.

9 (4) Support for State health care programs for  
10 low-income individuals. At the election of the hospital  
11 applicant for each applicable year, either (A) 10% of  
12 payments to the relevant hospital entity and any hospital  
13 affiliate designated by the relevant hospital entity  
14 (provided that such hospital affiliate's operations  
15 provide financial or operational support for or receive  
16 financial or operational support from the relevant  
17 hospital entity) under Medicaid or other means-tested  
18 programs, including, but not limited, to General  
19 Assistance, the Covering ALL KIDS Health Insurance Act, and  
20 the State Children's Health Insurance Program or (B) the  
21 amount of subsidy provided by the relevant hospital entity  
22 and any hospital affiliate designated by the relevant  
23 hospital entity (provided that such hospital affiliate's  
24 operations provide financial or operational support for or  
25 receive financial or operational support from the relevant  
26 hospital entity) to State or local government in treating

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1 Medicaid recipients and recipients of means-tested  
2 programs, including but not limited to General Assistance,  
3 the Covering ALL KIDS Health Insurance Act, and the State  
4 Children's Health Insurance Program. The amount of subsidy  
5 for purpose of this item (4) is calculated in the same

6 manner as unreimbursed costs are calculated for Medicaid  
7 and other means-tested government programs in the Schedule  
8 H of IRS Form 990 in effect on the effective date of this  
9 amendatory Act of the 97th General Assembly.

10 (5) Dual-eligible subsidy. The amount of subsidy  
11 provided to government by treating dual-eligible  
12 Medicare/Medicaid patients. The amount of subsidy for  
13 purposes of this item (5) is calculated by multiplying the  
14 relevant hospital entity's unreimbursed costs for  
15 Medicare, calculated in the same manner as determined in  
16 the Schedule H of IRS Form 990 in effect on the effective  
17 date of this amendatory Act of the 97th General Assembly,  
18 by the relevant hospital entity's ratio of dual-eligible  
19 patients to total Medicare patients.

20 (6) Relief of the burden of government related to  
21 health care. Except to the extent otherwise taken into  
22 account in this subsection, the portion of unreimbursed  
23 costs of the relevant hospital entity attributable to  
24 providing, paying for, or subsidizing goods, activities,  
25 or services that relieve the burden of government related  
26 to health care for low-income individuals. Such activities

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1 or services shall include, but are not limited to,  
2 providing emergency, trauma, burn, neonatal, psychiatric,  
3 rehabilitation, or other special services; providing  
4 medical education; and conducting medical research or  
5 training of health care professionals. The portion of those  
6 unreimbursed costs attributable to benefiting low-income  
7 individuals shall be determined using the ratio calculated  
8 by adding the relevant hospital entity's costs  
9 attributable to charity care, Medicaid, other means-tested  
10 government programs, disabled Medicare patients under age  
11 65, and dual-eligible Medicare/Medicaid patients and  
12 dividing that total by the relevant hospital entity's total  
13 costs. Such costs for the numerator and denominator shall  
14

15 be determined by multiplying gross charges by the cost to  
16 charge ratio taken from the hospital's most recently filed  
17 Medicare cost report (CMS 2252-10 Worksheet, Part I). In  
18 the case of emergency services, the ratio shall be  
19 calculated using costs (gross charges multiplied by the  
20 cost to charge ratio taken from the hospital's most  
21 recently filed Medicare cost report (CMS 2252-10  
22 Worksheet, Part I)) of patients treated in the relevant  
23 hospital entity's emergency department.

24 (7) Any other activity by the relevant hospital entity  
25 that the Department determines relieves the burden of  
26 government or addresses the health of low-income or  
underserved individuals.

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1 (d) The hospital applicant shall include information in its  
2 exemption application establishing that it satisfies the  
3 requirements of subsection (b). For purposes of making the  
4 calculations required by subsection (b), the hospital  
5 applicant may for each year elect to use either (1) the value  
6 of the services or activities listed in subsection (e) for the  
7 hospital year or (2) the average value of those services or  
8 activities for the 3 fiscal years ending with the hospital  
9 year. If the relevant hospital entity has been in operation for  
10 less than 3 completed fiscal years, then the latter  
11 calculation, if elected, shall be performed on a pro rata  
12 basis.

13 (e) For purposes of making the calculations required by  
14 this Section:

15 (1) particular services or activities eligible for  
16 consideration under any of the paragraphs (1) through (7)  
17 of subsection (c) may not be counted under more than one of  
18 those paragraphs; and

19 (2) the amount of unreimbursed costs and the amount of  
20 subsidy shall not be reduced by restricted or unrestricted  
21 payments received by the relevant hospital entity as  
22

23 contributions deductible under Section 170(a) of the  
24 Internal Revenue Code.  
25 (g) Estimation of Exempt Property Tax Liability. The  
26 estimated property tax liability used for the determination in  
subsection (b) shall be calculated as follows:

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1 (1) "Estimated property tax liability" means the  
2 estimated dollar amount of property tax that would be owed,  
3 with respect to the exempt portion of each of the relevant  
4 hospital entity's properties that are already fully or  
5 partially exempt, or for which an exemption in whole or in  
6 part is currently being sought, and then aggregated as  
7 applicable, as if the exempt portion of those properties  
8 were subject to tax, calculated with respect to each such  
9 property by multiplying:  
10 (A) the lesser of (i) the actual assessed value, if  
11 any, of the portion of the property for which an  
12 exemption is sought or (ii) an estimated assessed value  
13 of the exempt portion of such property as determined in  
14 item (2) of this subsection (g), by  
15 (B) the applicable State equalization rate  
16 (yielding the equalized assessed value), by  
17 (C) the applicable tax rate.  
18 (2) The estimated assessed value of the exempt portion  
19 of the property equals the sum of (i) the estimated fair  
20 market value of buildings on the property, as determined in  
21 accordance with subparagraphs (A) and (B) of this item (2),  
22 multiplied by the applicable assessment factor, and (ii)  
23 the estimated assessed value of the land portion of the  
24 property, as determined in accordance with subparagraph  
25 (C).  
26 (A) The "estimated fair market value of buildings

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1 on the property" means the replacement value of any  
2 exempt portion of buildings on the property, minus  
3 depreciation, determined utilizing the cost  
4 replacement method whereby the exempt square footage  
5 of all such buildings is multiplied by the replacement  
6 cost per square foot for Class A Average building found  
7 in the most recent edition of the Marshall & Swift  
8 Valuation Services Manual, adjusted by any appropriate  
9 current cost and local multipliers.

10 (B) Depreciation, for purposes of calculating the  
11 estimated fair market value of buildings on the  
12 property, is applied by utilizing a weighted mean life  
13 for the buildings based on original construction and  
14 assuming a 40-year life for hospital buildings and the  
15 applicable life for other types of buildings as  
16 specified in the American Hospital Association  
17 publication "Estimated Useful Lives of Depreciable  
18 Hospital Assets". In the case of hospital buildings,  
19 the remaining life is divided by 40 and this ratio is  
20 multiplied by the replacement cost of the buildings to  
21 obtain an estimated fair market value of buildings. If  
22 a hospital building is older than 35 years, a remaining  
23 life of 5 years for residual value is assumed; and if a  
24 building is less than 8 years old, a remaining life of  
25 32 years is assumed.

26 (C) The estimated assessed value of the land

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1 portion of the property shall be determined by  
2 multiplying (i) the per square foot average of the  
3 assessed values of three parcels of land (not including  
4 farm land, and excluding the assessed value of the  
5 improvements thereon) reasonably comparable to the  
6 property, by (ii) the number of square feet comprising  
7 the exempt portion of the property's land square  
8

footage.

9           (3) The assessment factor, State equalization rate,  
 10           and tax rate (including any special factors such as  
 11           Enterprise Zones) used in calculating the estimated  
 12           property tax liability shall be for the most recent year  
 13           that is publicly available from the applicable chief county  
 14           assessment officer or officers at least 90 days before the  
 15           end of the hospital year.

16           (4) The method utilized to calculate estimated  
 17           property tax liability for purposes of this Section 15-86  
 18           shall not be utilized for the actual valuation, assessment,  
 19           or taxation of property pursuant to the Property Tax Code.

20           (h) For the purpose of this Section, the following terms  
 21           shall have the meanings set forth below:

22           (1) "Hospital" means any institution, place, building,  
 23           buildings on a campus, or other health care facility  
 24           located in Illinois that is licensed under the Hospital  
 25           Licensing Act and has a hospital owner.

26           (2) "Hospital owner" means a not-for-profit

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1           corporation that is the titleholder of a hospital, or the  
 2           owner of the beneficial interest in an Illinois land trust  
 3           that is the titleholder of a hospital.

4           (3) "Hospital affiliate" means any corporation,  
 5           partnership, limited partnership, joint venture, limited  
 6           liability company, association or other organization,  
 7           other than a hospital owner, that directly or indirectly  
 8           controls, is controlled by, or is under common control with  
 9           one or more hospital owners and that supports, is supported  
 10           by, or acts in furtherance of the exempt health care  
 11           purposes of at least one of those hospital owners'  
 12           hospitals.

13           (4) "Hospital system" means a hospital and one or more  
 14           other hospitals or hospital affiliates related by common  
 15           control or ownership.

16

17           (5) "Control" relating to a hospital owners, hospital  
 18           affiliates, or hospital systems means possession, direct  
 19           or indirect, of the power to direct or cause the direction  
 20           of the management and policies of the entity, whether  
 21           through ownership of assets, membership interest, other  
 22           voting or governance rights, by contract or otherwise.

23           (6) "Hospital applicant" means a hospital owner or  
 24           hospital affiliate that files an application for an  
 25           exemption or renewal of exemption under this Section.

26           (7) "Relevant hospital entity" means (A) the hospital  
           owner, in the case of a hospital applicant that is a

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1           hospital owner, and (B) at the election of a hospital  
 2           applicant that is a hospital affiliate, either (i) the  
 3           hospital affiliate or (ii) the hospital system to which the  
 4           hospital applicant belongs, including any hospitals or  
 5           hospital affiliates that are related by common control or  
 6           ownership.

7           (8) "Subject property" means property used for the  
 8           calculation under subsection (b) of this Section.

9           (9) "Hospital year" means the fiscal year of the  
 10           relevant hospital entity, or the fiscal year of one of the  
 11           hospital owners in the hospital system if the relevant  
 12           hospital entity is a hospital system with members with  
 13           different fiscal years, that ends in the year for which the  
 14           exemption is sought.

15           Section 5-15. The Service Use Tax Act is amended by adding  
 16           Section 3-8 as follows:

17           (35 ILCS 110/3-8 new)

18           Sec. 3-8. Hospital exemption.

19           (a) Tangible personal property sold to or used by a  
 20           hospital owner that owns one or more hospitals licensed under  
 21           the Hospital Licensing Act or operated under the University of  
 22           Illinois Hospital Act, or a hospital affiliate that is not

23 already exempt under another provision of this Act and meets  
24 the criteria for an exemption under this Section, is exempt

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1 from taxation under this Act.

2 (b) A hospital owner or hospital affiliate satisfies the  
3 conditions for an exemption under this Section if the value of  
4 qualified services or activities listed in subsection (c) of  
5 this Section for the hospital year equals or exceeds the  
6 relevant hospital entity's estimated property tax liability,  
7 without regard to any property tax exemption granted under  
8 Section 15-86 of the Property Tax Code, for the calendar year  
9 in which exemption or renewal of exemption is sought. For  
10 purposes of making the calculations required by this subsection  
11 (b), if the relevant hospital entity is a hospital owner that  
12 owns more than one hospital, the value of the services or  
13 activities listed in subsection (c) shall be calculated on the  
14 basis of only those services and activities relating to the  
15 hospital that includes the subject property, and the relevant  
16 hospital entity's estimated property tax liability shall be  
17 calculated only with respect to the properties comprising that  
18 hospital. In the case of a multi-state hospital system or  
19 hospital affiliate, the value of the services or activities  
20 listed in subsection (c) shall be calculated on the basis of  
21 only those services and activities that occur in Illinois and  
22 the relevant hospital entity's estimated property tax  
23 liability shall be calculated only with respect to its property  
24 located in Illinois.

25 (c) The following services and activities shall be  
26 considered for purposes of making the calculations required by

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1 subsection (b) :

2 (1) Charity care. Free or discounted services provided

3 pursuant to the relevant hospital entity's financial  
4 assistance policy, measured at cost, including discounts  
5 provided under the Hospital Uninsured Patient Discount  
6 Act.

7 (2) Health services to low-income and underserved  
8 individuals. Other unreimbursed costs of the relevant  
9 hospital entity for providing without charge, paying for,  
10 or subsidizing goods, activities, or services for the  
11 purpose of addressing the health of low-income or  
12 underserved individuals. Those activities or services may  
13 include, but are not limited to: financial or in-kind  
14 support to affiliated or unaffiliated hospitals, hospital  
15 affiliates, community clinics, or programs that treat  
16 low-income or underserved individuals; paying for or  
17 subsidizing health care professionals who care for  
18 low-income or underserved individuals; providing or  
19 subsidizing outreach or educational services to low-income  
20 or underserved individuals for disease management and  
21 prevention; free or subsidized goods, supplies, or  
22 services needed by low-income or underserved individuals  
23 because of their medical condition; and prenatal or  
24 childbirth outreach to low-income or underserved persons.

25 (3) Subsidy of State or local governments. Direct or  
26 indirect financial or in-kind subsidies of State or local

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1 governments by the relevant hospital entity that pay for or  
2 subsidize activities or programs related to health care for  
3 low-income or underserved individuals.

4 (4) Support for State health care programs for  
5 low-income individuals. At the election of the hospital  
6 applicant for each applicable year, either (A) 10% of  
7 payments to the relevant hospital entity and any hospital  
8 affiliate designated by the relevant hospital entity  
9 (provided that such hospital affiliate's operations  
10 provide financial or operational support for or receive  
11

12 financial or operational support from the relevant  
13 hospital entity) under Medicaid or other means-tested  
14 programs, including, but not limited, to General  
15 Assistance, the Covering ALL KIDS Health Insurance Act, and  
16 the State Children's Health Insurance Program or (B) the  
17 amount of subsidy provided by the relevant hospital entity  
18 and any hospital affiliate designated by the relevant  
19 hospital entity (provided that such hospital affiliate's  
20 operations provide financial or operational support for or  
21 receive financial or operational support from the relevant  
22 hospital entity) to State or local government in treating  
23 Medicaid recipients and recipients of means-tested  
24 programs, including but not limited to General Assistance,  
25 the Covering ALL KIDS Health Insurance Act, and the State  
26 Children's Health Insurance Program. The amount of subsidy  
for purpose of this item (4) is calculated in the same

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1 manner as unreimbursed costs are calculated for Medicaid  
2 and other means-tested government programs in the Schedule  
3 H of IRS Form 990 in effect on the effective date of this  
4 amendatory Act of the 97th General Assembly.

5 (5) Dual-eligible subsidy. The amount of subsidy  
6 provided to government by treating dual-eligible  
7 Medicare/Medicaid patients. The amount of subsidy for  
8 purposes of this item (5) is calculated by multiplying the  
9 relevant hospital entity's unreimbursed costs for  
10 Medicare, calculated in the same manner as determined in  
11 the Schedule H of IRS Form 990 in effect on the effective  
12 date of this amendatory Act of the 97th General Assembly,  
13 by the relevant hospital entity's ratio of dual-eligible  
14 patients to total Medicare patients.

15 (6) Relief of the burden of government related to  
16 health care. Except to the extent otherwise taken into  
17 account in this subsection, the portion of unreimbursed  
18 costs of the relevant hospital entity attributable to  
19

20 providing, paying for, or subsidizing goods, activities,  
21 or services that relieve the burden of government related  
22 to health care for low-income individuals. Such activities  
23 or services shall include, but are not limited to,  
24 providing emergency, trauma, burn, neonatal, psychiatric,  
25 rehabilitation, or other special services; providing  
26 medical education; and conducting medical research or  
training of health care professionals. The portion of those

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1 unreimbursed costs attributable to benefiting low-income  
2 individuals shall be determined using the ratio calculated  
3 by adding the relevant hospital entity's costs  
4 attributable to charity care, Medicaid, other means-tested  
5 government programs, disabled Medicare patients under age  
6 65, and dual-eligible Medicare/Medicaid patients and  
7 dividing that total by the relevant hospital entity's total  
8 costs. Such costs for the numerator and denominator shall  
9 be determined by multiplying gross charges by the cost to  
10 charge ratio taken from the hospital's most recently filed  
11 Medicare cost report (CMS 2252-10 Worksheet, Part I). In  
12 the case of emergency services, the ratio shall be  
13 calculated using costs (gross charges multiplied by the  
14 cost to charge ratio taken from the hospital's most  
15 recently filed Medicare cost report (CMS 2252-10  
16 Worksheet, Part I)) of patients treated in the relevant  
17 hospital entity's emergency department.

18 (7) Any other activity by the relevant hospital entity  
19 that the Department determines relieves the burden of  
20 government or addresses the health of low-income or  
21 underserved individuals.

22 (d) The hospital applicant shall include information in its  
23 exemption application establishing that it satisfies the  
24 requirements of subsection (b). For purposes of making the  
25 calculations required by subsection (b), the hospital  
26 applicant may for each year elect to use either (1) the value

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1 of the services or activities listed in subsection (e) for the  
2 hospital year or (2) the average value of those services or  
3 activities for the 3 fiscal years ending with the hospital  
4 year. If the relevant hospital entity has been in operation for  
5 less than 3 completed fiscal years, then the latter  
6 calculation, if elected, shall be performed on a pro rata  
7 basis.

8 (e) For purposes of making the calculations required by  
9 this Section:

10 (1) particular services or activities eligible for  
11 consideration under any of the paragraphs (1) through (7)  
12 of subsection (c) may not be counted under more than one of  
13 those paragraphs; and

14 (2) the amount of unreimbursed costs and the amount of  
15 subsidy shall not be reduced by restricted or unrestricted  
16 payments received by the relevant hospital entity as  
17 contributions deductible under Section 170(a) of the  
18 Internal Revenue Code.

19 (g) Estimation of Exempt Property Tax Liability. The  
20 estimated property tax liability used for the determination in  
21 subsection (b) shall be calculated as follows:

22 (1) "Estimated property tax liability" means the  
23 estimated dollar amount of property tax that would be owed,  
24 with respect to the exempt portion of each of the relevant  
25 hospital entity's properties that are already fully or  
26 partially exempt, or for which an exemption in whole or in

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1 part is currently being sought, and then aggregated as  
2 applicable, as if the exempt portion of those properties  
3 were subject to tax, calculated with respect to each such  
4 property by multiplying:

5 (A) the lesser of (i) the actual assessed value, if



6           any, of the portion of the property for which an  
7           exemption is sought or (ii) an estimated assessed value  
8           of the exempt portion of such property as determined in  
9           item (2) of this subsection (g), by  
10           (B) the applicable State equalization rate  
11           (yielding the equalized assessed value), by  
12           (C) the applicable tax rate.  
13           (2) The estimated assessed value of the exempt portion  
14           of the property equals the sum of (i) the estimated fair  
15           market value of buildings on the property, as determined in  
16           accordance with subparagraphs (A) and (B) of this item (2),  
17           multiplied by the applicable assessment factor, and (ii)  
18           the estimated assessed value of the land portion of the  
19           property, as determined in accordance with subparagraph  
20           (C).  
21           (A) The "estimated fair market value of buildings  
22           on the property" means the replacement value of any  
23           exempt portion of buildings on the property, minus  
24           depreciation, determined utilizing the cost  
25           replacement method whereby the exempt square footage  
26           of all such buildings is multiplied by the replacement

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1           cost per square foot for Class A Average building found  
2           in the most recent edition of the Marshall & Swift  
3           Valuation Services Manual, adjusted by any appropriate  
4           current cost and local multipliers.  
5           (B) Depreciation, for purposes of calculating the  
6           estimated fair market value of buildings on the  
7           property, is applied by utilizing a weighted mean life  
8           for the buildings based on original construction and  
9           assuming a 40-year life for hospital buildings and the  
10           applicable life for other types of buildings as  
11           specified in the American Hospital Association  
12           publication "Estimated Useful Lives of Depreciable  
13           Hospital Assets". In the case of hospital buildings,  
14

15 the remaining life is divided by 40 and this ratio is  
16 multiplied by the replacement cost of the buildings to  
17 obtain an estimated fair market value of buildings. If  
18 a hospital building is older than 35 years, a remaining  
19 life of 5 years for residual value is assumed; and if a  
20 building is less than 8 years old, a remaining life of  
21 32 years is assumed.

22 (C) The estimated assessed value of the land  
23 portion of the property shall be determined by  
24 multiplying (i) the per square foot average of the  
25 assessed values of three parcels of land (not including  
26 farm land, and excluding the assessed value of the  
improvements thereon) reasonably comparable to the

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1 property, by (ii) the number of square feet comprising  
2 the exempt portion of the property's land square  
3 footage.

4 (3) The assessment factor, State equalization rate,  
5 and tax rate (including any special factors such as  
6 Enterprise Zones) used in calculating the estimated  
7 property tax liability shall be for the most recent year  
8 that is publicly available from the applicable chief county  
9 assessment officer or officers at least 90 days before the  
10 end of the hospital year.

11 (4) The method utilized to calculate estimated  
12 property tax liability for purposes of this Section 15-86  
13 shall not be utilized for the actual valuation, assessment,  
14 or taxation of property pursuant to the Property Tax Code.

15 (h) For the purpose of this Section, the following terms  
16 shall have the meanings set forth below:

17 (1) "Hospital" means any institution, place, building,  
18 buildings on a campus, or other health care facility  
19 located in Illinois that is licensed under the Hospital  
20 Licensing Act and has a hospital owner.

21 (2) "Hospital owner" means a not-for-profit  
22

23 corporation that is the titleholder of a hospital, or the  
24 owner of the beneficial interest in an Illinois land trust  
25 that is the titleholder of a hospital.

26 (3) "Hospital affiliate" means any corporation,  
partnership, limited partnership, joint venture, limited

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1 liability company, association or other organization,  
2 other than a hospital owner, that directly or indirectly  
3 controls, is controlled by, or is under common control with  
4 one or more hospital owners and that supports, is supported  
5 by, or acts in furtherance of the exempt health care  
6 purposes of at least one of those hospital owners'  
7 hospitals.

8 (4) "Hospital system" means a hospital and one or more  
9 other hospitals or hospital affiliates related by common  
10 control or ownership.

11 (5) "Control" relating to a hospital owners, hospital  
12 affiliates, or hospital systems means possession, direct  
13 or indirect, of the power to direct or cause the direction  
14 of the management and policies of the entity, whether  
15 through ownership of assets, membership interest, other  
16 voting or governance rights, by contract or otherwise.

17 (6) "Hospital applicant" means a hospital owner or  
18 hospital affiliate that files an application for an  
19 exemption or renewal of exemption under this Section.

20 (7) "Relevant hospital entity" means (A) the hospital  
21 owner, in the case of a hospital applicant that is a  
22 hospital owner, and (B) at the election of a hospital  
23 applicant that is a hospital affiliate, either (i) the  
24 hospital affiliate or (ii) the hospital system to which the  
25 hospital applicant belongs, including any hospitals or  
26 hospital affiliates that are related by common control or

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1 ownership.

2 (8) "Subject property" means property used for the  
3 calculation under subsection (b) of this Section.

4 (9) "Hospital year" means the fiscal year of the  
5 relevant hospital entity, or the fiscal year of one of the  
6 hospital owners in the hospital system if the relevant  
7 hospital entity is a hospital system with members with  
8 different fiscal years, that ends in the year for which the  
9 exemption is sought.

10 Section 5-20. The Service Occupation Tax Act is amended by  
11 adding Section 3-8 as follows:

12 (35 ILCS 115/3-8 new)

13 Sec. 3-8. Hospital exemption.

14 (a) Tangible personal property sold to or used by a  
15 hospital owner that owns one or more hospitals licensed under  
16 the Hospital Licensing Act or operated under the University of  
17 Illinois Hospital Act, or a hospital affiliate that is not  
18 already exempt under another provision of this Act and meets  
19 the criteria for an exemption under this Section, is exempt  
20 from taxation under this Act.

21 (b) A hospital owner or hospital affiliate satisfies the  
22 conditions for an exemption under this Section if the value of  
23 qualified services or activities listed in subsection (c) of  
24 this Section for the hospital year equals or exceeds the

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1 relevant hospital entity's estimated property tax liability,  
2 without regard to any property tax exemption granted under  
3 Section 15-86 of the Property Tax Code, for the calendar year  
4 in which exemption or renewal of exemption is sought. For  
5 purposes of making the calculations required by this subsection  
6 (b), if the relevant hospital entity is a hospital owner that  
7 owns more than one hospital, the value of the services or  
8 activities listed in subsection (c) shall be calculated on the

9 basis of only those services and activities relating to the  
10 hospital that includes the subject property, and the relevant  
11 hospital entity's estimated property tax liability shall be  
12 calculated only with respect to the properties comprising that  
13 hospital. In the case of a multi-state hospital system or  
14 hospital affiliate, the value of the services or activities  
15 listed in subsection (c) shall be calculated on the basis of  
16 only those services and activities that occur in Illinois and  
17 the relevant hospital entity's estimated property tax  
18 liability shall be calculated only with respect to its property  
19 located in Illinois.

20 (c) The following services and activities shall be  
21 considered for purposes of making the calculations required by  
22 subsection (b):

23 (1) Charity care. Free or discounted services provided  
24 pursuant to the relevant hospital entity's financial  
25 assistance policy, measured at cost, including discounts  
26 provided under the Hospital Uninsured Patient Discount

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1 Act.  
2 (2) Health services to low-income and underserved  
3 individuals. Other unreimbursed costs of the relevant  
4 hospital entity for providing without charge, paying for,  
5 or subsidizing goods, activities, or services for the  
6 purpose of addressing the health of low-income or  
7 underserved individuals. Those activities or services may  
8 include, but are not limited to: financial or in-kind  
9 support to affiliated or unaffiliated hospitals, hospital  
10 affiliates, community clinics, or programs that treat  
11 low-income or underserved individuals; paying for or  
12 subsidizing health care professionals who care for  
13 low-income or underserved individuals; providing or  
14 subsidizing outreach or educational services to low-income  
15 or underserved individuals for disease management and  
16 prevention; free or subsidized goods, supplies, or  
17

18 services needed by low-income or underserved individuals  
19 because of their medical condition; and prenatal or  
20 childbirth outreach to low-income or underserved persons.

21 (3) Subsidy of State or local governments. Direct or  
22 indirect financial or in-kind subsidies of State or local  
23 governments by the relevant hospital entity that pay for or  
24 subsidize activities or programs related to health care for  
25 low-income or underserved individuals.

26 (4) Support for State health care programs for  
low-income individuals. At the election of the hospital

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1 applicant for each applicable year, either (A) 10% of  
2 payments to the relevant hospital entity and any hospital  
3 affiliate designated by the relevant hospital entity  
4 (provided that such hospital affiliate's operations  
5 provide financial or operational support for or receive  
6 financial or operational support from the relevant  
7 hospital entity) under Medicaid or other means-tested  
8 programs, including, but not limited, to General  
9 Assistance, the Covering ALL KIDS Health Insurance Act, and  
10 the State Children's Health Insurance Program or (B) the  
11 amount of subsidy provided by the relevant hospital entity  
12 and any hospital affiliate designated by the relevant  
13 hospital entity (provided that such hospital affiliate's  
14 operations provide financial or operational support for or  
15 receive financial or operational support from the relevant  
16 hospital entity) to State or local government in treating  
17 Medicaid recipients and recipients of means-tested  
18 programs, including but not limited to General Assistance,  
19 the Covering ALL KIDS Health Insurance Act, and the State  
20 Children's Health Insurance Program. The amount of subsidy  
21 for purpose of this item (4) is calculated in the same  
22 manner as unreimbursed costs are calculated for Medicaid  
23 and other means-tested government programs in the Schedule  
24 H of IRS Form 990 in effect on the effective date of this  
25

amendatory Act of the 97th General Assembly.

26

(5) Dual-eligible subsidy. The amount of subsidy

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1 provided to government by treating dual-eligible  
2 Medicare/Medicaid patients. The amount of subsidy for  
3 purposes of this item (5) is calculated by multiplying the  
4 relevant hospital entity's unreimbursed costs for  
5 Medicare, calculated in the same manner as determined in  
6 the Schedule H of IRS Form 990 in effect on the effective  
7 date of this amendatory Act of the 97th General Assembly,  
8 by the relevant hospital entity's ratio of dual-eligible  
9 patients to total Medicare patients.

10 (6) Relief of the burden of government related to  
11 health care. Except to the extent otherwise taken into  
12 account in this subsection, the portion of unreimbursed  
13 costs of the relevant hospital entity attributable to  
14 providing, paying for, or subsidizing goods, activities,  
15 or services that relieve the burden of government related  
16 to health care for low-income individuals. Such activities  
17 or services shall include, but are not limited to,  
18 providing emergency, trauma, burn, neonatal, psychiatric,  
19 rehabilitation, or other special services; providing  
20 medical education; and conducting medical research or  
21 training of health care professionals. The portion of those  
22 unreimbursed costs attributable to benefiting low-income  
23 individuals shall be determined using the ratio calculated  
24 by adding the relevant hospital entity's costs  
25 attributable to charity care, Medicaid, other means-tested  
26 government programs, disabled Medicare patients under age

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1 65, and dual-eligible Medicare/Medicaid patients and  
2 dividing that total by the relevant hospital entity's total

3 costs. Such costs for the numerator and denominator shall  
4 be determined by multiplying gross charges by the cost to  
5 charge ratio taken from the hospital's most recently filed  
6 Medicare cost report (CMS 2252-10 Worksheet, Part I). In  
7 the case of emergency services, the ratio shall be  
8 calculated using costs (gross charges multiplied by the  
9 cost to charge ratio taken from the hospital's most  
10 recently filed Medicare cost report (CMS 2252-10  
11 Worksheet, Part I)) of patients treated in the relevant  
12 hospital entity's emergency department.

13 (7) Any other activity by the relevant hospital entity  
14 that the Department determines relieves the burden of  
15 government or addresses the health of low-income or  
16 underserved individuals.

17 (d) The hospital applicant shall include information in its  
18 exemption application establishing that it satisfies the  
19 requirements of subsection (b). For purposes of making the  
20 calculations required by subsection (b), the hospital  
21 applicant may for each year elect to use either (1) the value  
22 of the services or activities listed in subsection (e) for the  
23 hospital year or (2) the average value of those services or  
24 activities for the 3 fiscal years ending with the hospital  
25 year. If the relevant hospital entity has been in operation for  
26 less than 3 completed fiscal years, then the latter

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1 calculation, if elected, shall be performed on a pro rata  
2 basis.

3 (e) For purposes of making the calculations required by  
4 this Section:

5 (1) particular services or activities eligible for  
6 consideration under any of the paragraphs (1) through (7)  
7 of subsection (c) may not be counted under more than one of  
8 those paragraphs; and

9 (2) the amount of unreimbursed costs and the amount of  
10 subsidy shall not be reduced by restricted or unrestricted  
11



12 payments received by the relevant hospital entity as  
13 contributions deductible under Section 170(a) of the  
14 Internal Revenue Code.

15 (g) Estimation of Exempt Property Tax Liability. The  
16 estimated property tax liability used for the determination in  
17 subsection (b) shall be calculated as follows:

18 (1) "Estimated property tax liability" means the  
19 estimated dollar amount of property tax that would be owed,  
20 with respect to the exempt portion of each of the relevant  
21 hospital entity's properties that are already fully or  
22 partially exempt, or for which an exemption in whole or in  
23 part is currently being sought, and then aggregated as  
24 applicable, as if the exempt portion of those properties  
25 were subject to tax, calculated with respect to each such  
26 property by multiplying:

(A) the lesser of (i) the actual assessed value, if

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1 any, of the portion of the property for which an  
2 exemption is sought or (ii) an estimated assessed value  
3 of the exempt portion of such property as determined in  
4 item (2) of this subsection (g), by

5 (B) the applicable State equalization rate  
6 (yielding the equalized assessed value), by

7 (C) the applicable tax rate.

8 (2) The estimated assessed value of the exempt portion  
9 of the property equals the sum of (i) the estimated fair  
10 market value of buildings on the property, as determined in  
11 accordance with subparagraphs (A) and (B) of this item (2),  
12 multiplied by the applicable assessment factor, and (ii)  
13 the estimated assessed value of the land portion of the  
14 property, as determined in accordance with subparagraph  
15 (C).

16 (A) The "estimated fair market value of buildings  
17 on the property" means the replacement value of any  
18 exempt portion of buildings on the property, minus  
19

20 depreciation, determined utilizing the cost  
21 replacement method whereby the exempt square footage  
22 of all such buildings is multiplied by the replacement  
23 cost per square foot for Class A Average building found  
24 in the most recent edition of the Marshall & Swift  
25 Valuation Services Manual, adjusted by any appropriate  
26 current cost and local multipliers.

(B) Depreciation, for purposes of calculating the

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1 estimated fair market value of buildings on the  
2 property, is applied by utilizing a weighted mean life  
3 for the buildings based on original construction and  
4 assuming a 40-year life for hospital buildings and the  
5 applicable life for other types of buildings as  
6 specified in the American Hospital Association  
7 publication "Estimated Useful Lives of Depreciable  
8 Hospital Assets". In the case of hospital buildings,  
9 the remaining life is divided by 40 and this ratio is  
10 multiplied by the replacement cost of the buildings to  
11 obtain an estimated fair market value of buildings. If  
12 a hospital building is older than 35 years, a remaining  
13 life of 5 years for residual value is assumed; and if a  
14 building is less than 8 years old, a remaining life of  
15 32 years is assumed.

16 (C) The estimated assessed value of the land  
17 portion of the property shall be determined by  
18 multiplying (i) the per square foot average of the  
19 assessed values of three parcels of land (not including  
20 farm land, and excluding the assessed value of the  
21 improvements thereon) reasonably comparable to the  
22 property, by (ii) the number of square feet comprising  
23 the exempt portion of the property's land square  
24 footage.

25 (3) The assessment factor, State equalization rate,  
26 and tax rate (including any special factors such as

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1 Enterprise Zones) used in calculating the estimated  
2 property tax liability shall be for the most recent year  
3 that is publicly available from the applicable chief county  
4 assessment officer or officers at least 90 days before the  
5 end of the hospital year.

6 (4) The method utilized to calculate estimated  
7 property tax liability for purposes of this Section 15-86  
8 shall not be utilized for the actual valuation, assessment,  
9 or taxation of property pursuant to the Property Tax Code.

10 (h) For the purpose of this Section, the following terms  
11 shall have the meanings set forth below:

12 (1) "Hospital" means any institution, place, building,  
13 buildings on a campus, or other health care facility  
14 located in Illinois that is licensed under the Hospital  
15 Licensing Act and has a hospital owner.

16 (2) "Hospital owner" means a not-for-profit  
17 corporation that is the titleholder of a hospital, or the  
18 owner of the beneficial interest in an Illinois land trust  
19 that is the titleholder of a hospital.

20 (3) "Hospital affiliate" means any corporation,  
21 partnership, limited partnership, joint venture, limited  
22 liability company, association or other organization,  
23 other than a hospital owner, that directly or indirectly  
24 controls, is controlled by, or is under common control with  
25 one or more hospital owners and that supports, is supported  
26 by, or acts in furtherance of the exempt health care

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1 purposes of at least one of those hospital owners'  
2 hospitals.

3 (4) "Hospital system" means a hospital and one or more  
4 other hospitals or hospital affiliates related by common  
5 control or ownership.

6           (5) "Control" relating to a hospital owners, hospital  
 7           affiliates, or hospital systems means possession, direct  
 8           or indirect, of the power to direct or cause the direction  
 9           of the management and policies of the entity, whether  
 10           through ownership of assets, membership interest, other  
 11           voting or governance rights, by contract or otherwise.

12           (6) "Hospital applicant" means a hospital owner or  
 13           hospital affiliate that files an application for an  
 14           exemption or renewal of exemption under this Section.

15           (7) "Relevant hospital entity" means (A) the hospital  
 16           owner, in the case of a hospital applicant that is a  
 17           hospital owner, and (B) at the election of a hospital  
 18           applicant that is a hospital affiliate, either (i) the  
 19           hospital affiliate or (ii) the hospital system to which the  
 20           hospital applicant belongs, including any hospitals or  
 21           hospital affiliates that are related by common control or  
 22           ownership.

23           (8) "Subject property" means property used for the  
 24           calculation under subsection (b) of this Section.

25           (9) "Hospital year" means the fiscal year of the  
 26           relevant hospital entity, or the fiscal year of one of the

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1           hospital owners in the hospital system if the relevant  
 2           hospital entity is a hospital system with members with  
 3           different fiscal years, that ends in the year for which the  
 4           exemption is sought.

5           Section 5-25. The Retailers' Occupation Tax Act is amended  
 6           by adding Section 2-9 as follows:

7           (35 ILCS 120/2-9 new)

8           Sec. 2-9. Hospital exemption.

9           (a) Tangible personal property sold to or used by a  
 10           hospital owner that owns one or more hospitals licensed under  
 11           the Hospital Licensing Act or operated under the University of  
 12           Illinois Hospital Act, or a hospital affiliate that is not

13 already exempt under another provision of this Act and meets  
14 the criteria for an exemption under this Section, is exempt  
15 from taxation under this Act.

16 (b) A hospital owner or hospital affiliate satisfies the  
17 conditions for an exemption under this Section if the value of  
18 qualified services or activities listed in subsection (c) of  
19 this Section for the hospital year equals or exceeds the  
20 relevant hospital entity's estimated property tax liability,  
21 without regard to any property tax exemption granted under  
22 Section 15-86 of the Property Tax Code, for the calendar year  
23 in which exemption or renewal of exemption is sought. For  
24 purposes of making the calculations required by this subsection

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1 (b), if the relevant hospital entity is a hospital owner that  
2 owns more than one hospital, the value of the services or  
3 activities listed in subsection (c) shall be calculated on the  
4 basis of only those services and activities relating to the  
5 hospital that includes the subject property, and the relevant  
6 hospital entity's estimated property tax liability shall be  
7 calculated only with respect to the properties comprising that  
8 hospital. In the case of a multi-state hospital system or  
9 hospital affiliate, the value of the services or activities  
10 listed in subsection (c) shall be calculated on the basis of  
11 only those services and activities that occur in Illinois and  
12 the relevant hospital entity's estimated property tax  
13 liability shall be calculated only with respect to its property  
14 located in Illinois.

15 (c) The following services and activities shall be  
16 considered for purposes of making the calculations required by  
17 subsection (b):

18 (1) Charity care. Free or discounted services provided  
19 pursuant to the relevant hospital entity's financial  
20 assistance policy, measured at cost, including discounts  
21 provided under the Hospital Uninsured Patient Discount  
22 Act.  
23

24 (2) Health services to low-income and underserved  
25 individuals. Other unreimbursed costs of the relevant  
26 hospital entity for providing without charge, paying for,  
or subsidizing goods, activities, or services for the

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1 purpose of addressing the health of low-income or  
2 underserved individuals. Those activities or services may  
3 include, but are not limited to: financial or in-kind  
4 support to affiliated or unaffiliated hospitals, hospital  
5 affiliates, community clinics, or programs that treat  
6 low-income or underserved individuals; paying for or  
7 subsidizing health care professionals who care for  
8 low-income or underserved individuals; providing or  
9 subsidizing outreach or educational services to low-income  
10 or underserved individuals for disease management and  
11 prevention; free or subsidized goods, supplies, or  
12 services needed by low-income or underserved individuals  
13 because of their medical condition; and prenatal or  
14 childbirth outreach to low-income or underserved persons.

15 (3) Subsidy of State or local governments. Direct or  
16 indirect financial or in-kind subsidies of State or local  
17 governments by the relevant hospital entity that pay for or  
18 subsidize activities or programs related to health care for  
19 low-income or underserved individuals.

20 (4) Support for State health care programs for  
21 low-income individuals. At the election of the hospital  
22 applicant for each applicable year, either (A) 10% of  
23 payments to the relevant hospital entity and any hospital  
24 affiliate designated by the relevant hospital entity  
25 (provided that such hospital affiliate's operations  
26 provide financial or operational support for or receive

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1 financial or operational support from the relevant  
2 hospital entity) under Medicaid or other means-tested  
3 programs, including, but not limited, to General  
4 Assistance, the Covering ALL KIDS Health Insurance Act, and  
5 the State Children's Health Insurance Program or (B) the  
6 amount of subsidy provided by the relevant hospital entity  
7 and any hospital affiliate designated by the relevant  
8 hospital entity (provided that such hospital affiliate's  
9 operations provide financial or operational support for or  
10 receive financial or operational support from the relevant  
11 hospital entity) to State or local government in treating  
12 Medicaid recipients and recipients of means-tested  
13 programs, including but not limited to General Assistance,  
14 the Covering ALL KIDS Health Insurance Act, and the State  
15 Children's Health Insurance Program. The amount of subsidy  
16 for purpose of this item (4) is calculated in the same  
17 manner as unreimbursed costs are calculated for Medicaid  
18 and other means-tested government programs in the Schedule  
19 H of IRS Form 990 in effect on the effective date of this  
20 amendatory Act of the 97th General Assembly.

21 (5) Dual-eligible subsidy. The amount of subsidy  
22 provided to government by treating dual-eligible  
23 Medicare/Medicaid patients. The amount of subsidy for  
24 purposes of this item (5) is calculated by multiplying the  
25 relevant hospital entity's unreimbursed costs for  
26 Medicare, calculated in the same manner as determined in

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1 the Schedule H of IRS Form 990 in effect on the effective  
2 date of this amendatory Act of the 97th General Assembly,  
3 by the relevant hospital entity's ratio of dual-eligible  
4 patients to total Medicare patients.

5 (6) Relief of the burden of government related to  
6 health care. Except to the extent otherwise taken into  
7 account in this subsection, the portion of unreimbursed  
8 costs of the relevant hospital entity attributable to  
9

10 providing, paying for, or subsidizing goods, activities,  
11 or services that relieve the burden of government related  
12 to health care for low-income individuals. Such activities  
13 or services shall include, but are not limited to,  
14 providing emergency, trauma, burn, neonatal, psychiatric,  
15 rehabilitation, or other special services; providing  
16 medical education; and conducting medical research or  
17 training of health care professionals. The portion of those  
18 unreimbursed costs attributable to benefiting low-income  
19 individuals shall be determined using the ratio calculated  
20 by adding the relevant hospital entity's costs  
21 attributable to charity care, Medicaid, other means-tested  
22 government programs, disabled Medicare patients under age  
23 65, and dual-eligible Medicare/Medicaid patients and  
24 dividing that total by the relevant hospital entity's total  
25 costs. Such costs for the numerator and denominator shall  
26 be determined by multiplying gross charges by the cost to  
charge ratio taken from the hospital's most recently filed

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1 Medicare cost report (CMS 2252-10 Worksheet, Part I). In  
2 the case of emergency services, the ratio shall be  
3 calculated using costs (gross charges multiplied by the  
4 cost to charge ratio taken from the hospital's most  
5 recently filed Medicare cost report (CMS 2252-10  
6 Worksheet, Part I)) of patients treated in the relevant  
7 hospital entity's emergency department.

8 (7) Any other activity by the relevant hospital entity  
9 that the Department determines relieves the burden of  
10 government or addresses the health of low-income or  
11 underserved individuals.

12 (d) The hospital applicant shall include information in its  
13 exemption application establishing that it satisfies the  
14 requirements of subsection (b). For purposes of making the  
15 calculations required by subsection (b), the hospital  
16 applicant may for each year elect to use either (1) the value  
17



18 of the services or activities listed in subsection (e) for the  
19 hospital year or (2) the average value of those services or  
20 activities for the 3 fiscal years ending with the hospital  
21 year. If the relevant hospital entity has been in operation for  
22 less than 3 completed fiscal years, then the latter  
23 calculation, if elected, shall be performed on a pro rata  
24 basis.

24 (e) For purposes of making the calculations required by  
25 this Section:

26 (1) particular services or activities eligible for

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1 consideration under any of the paragraphs (1) through (7)  
2 of subsection (c) may not be counted under more than one of  
3 those paragraphs; and

4 (2) the amount of unreimbursed costs and the amount of  
5 subsidy shall not be reduced by restricted or unrestricted  
6 payments received by the relevant hospital entity as  
7 contributions deductible under Section 170(a) of the  
8 Internal Revenue Code.

9 (g) Estimation of Exempt Property Tax Liability. The  
10 estimated property tax liability used for the determination in  
11 subsection (b) shall be calculated as follows:

12 (1) "Estimated property tax liability" means the  
13 estimated dollar amount of property tax that would be owed,  
14 with respect to the exempt portion of each of the relevant  
15 hospital entity's properties that are already fully or  
16 partially exempt, or for which an exemption in whole or in  
17 part is currently being sought, and then aggregated as  
18 applicable, as if the exempt portion of those properties  
19 were subject to tax, calculated with respect to each such  
20 property by multiplying:

21 (A) the lesser of (i) the actual assessed value, if  
22 any, of the portion of the property for which an  
23 exemption is sought or (ii) an estimated assessed value  
24 of the exempt portion of such property as determined in  
25

26                    item (2) of this subsection (g), by  
                       (B) the applicable State equalization rate

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1                    (yielding the equalized assessed value), by  
 2                    (C) the applicable tax rate.  
 3                    (2) The estimated assessed value of the exempt portion  
 4                    of the property equals the sum of (i) the estimated fair  
 5                    market value of buildings on the property, as determined in  
 6                    accordance with subparagraphs (A) and (B) of this item (2),  
 7                    multiplied by the applicable assessment factor, and (ii)  
 8                    the estimated assessed value of the land portion of the  
 9                    property, as determined in accordance with subparagraph  
 10                    (C).

11                    (A) The "estimated fair market value of buildings  
 12                    on the property" means the replacement value of any  
 13                    exempt portion of buildings on the property, minus  
 14                    depreciation, determined utilizing the cost  
 15                    replacement method whereby the exempt square footage  
 16                    of all such buildings is multiplied by the replacement  
 17                    cost per square foot for Class A Average building found  
 18                    in the most recent edition of the Marshall & Swift  
 19                    Valuation Services Manual, adjusted by any appropriate  
 20                    current cost and local multipliers.

21                    (B) Depreciation, for purposes of calculating the  
 22                    estimated fair market value of buildings on the  
 23                    property, is applied by utilizing a weighted mean life  
 24                    for the buildings based on original construction and  
 25                    assuming a 40-year life for hospital buildings and the  
 26                    applicable life for other types of buildings as

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1                    specified in the American Hospital Association  
 2                    publication "Estimated Useful Lives of Depreciable

3           Hospital Assets". In the case of hospital buildings,  
4           the remaining life is divided by 40 and this ratio is  
5           multiplied by the replacement cost of the buildings to  
6           obtain an estimated fair market value of buildings. If  
7           a hospital building is older than 35 years, a remaining  
8           life of 5 years for residual value is assumed; and if a  
9           building is less than 8 years old, a remaining life of  
10          32 years is assumed.

11           (C) The estimated assessed value of the land  
12          portion of the property shall be determined by  
13          multiplying (i) the per square foot average of the  
14          assessed values of three parcels of land (not including  
15          farm land, and excluding the assessed value of the  
16          improvements thereon) reasonably comparable to the  
17          property, by (ii) the number of square feet comprising  
18          the exempt portion of the property's land square  
19          footage.

20           (3) The assessment factor, State equalization rate,  
21          and tax rate (including any special factors such as  
22          Enterprise Zones) used in calculating the estimated  
23          property tax liability shall be for the most recent year  
24          that is publicly available from the applicable chief county  
25          assessment officer or officers at least 90 days before the  
26          end of the hospital year.

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1           (4) The method utilized to calculate estimated  
2          property tax liability for purposes of this Section 15-86  
3          shall not be utilized for the actual valuation, assessment,  
4          or taxation of property pursuant to the Property Tax Code.

5           (h) For the purpose of this Section, the following terms  
6          shall have the meanings set forth below:

7           (1) "Hospital" means any institution, place, building,  
8          buildings on a campus, or other health care facility  
9          located in Illinois that is licensed under the Hospital  
10          Licensing Act and has a hospital owner.

11

12           (2) "Hospital owner" means a not-for-profit  
13           corporation that is the titleholder of a hospital, or the  
14           owner of the beneficial interest in an Illinois land trust  
15           that is the titleholder of a hospital.

16           (3) "Hospital affiliate" means any corporation,  
17           partnership, limited partnership, joint venture, limited  
18           liability company, association or other organization,  
19           other than a hospital owner, that directly or indirectly  
20           controls, is controlled by, or is under common control with  
21           one or more hospital owners and that supports, is supported  
22           by, or acts in furtherance of the exempt health care  
23           purposes of at least one of those hospital owners'  
24           hospitals.

25           (4) "Hospital system" means a hospital and one or more  
26           other hospitals or hospital affiliates related by common  
              control or ownership.

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1           (5) "Control" relating to a hospital owners, hospital  
2           affiliates, or hospital systems means possession, direct  
3           or indirect, of the power to direct or cause the direction  
4           of the management and policies of the entity, whether  
5           through ownership of assets, membership interest, other  
6           voting or governance rights, by contract or otherwise.

7           (6) "Hospital applicant" means a hospital owner or  
8           hospital affiliate that files an application for an  
9           exemption or renewal of exemption under this Section.

10           (7) "Relevant hospital entity" means (A) the hospital  
11           owner, in the case of a hospital applicant that is a  
12           hospital owner, and (B) at the election of a hospital  
13           applicant that is a hospital affiliate, either (i) the  
14           hospital affiliate or (ii) the hospital system to which the  
15           hospital applicant belongs, including any hospitals or  
16           hospital affiliates that are related by common control or  
17           ownership.

18           (8) "Subject property" means property used for the  
19

calculation under subsection (b) of this Section.

20           (9) "Hospital year" means the fiscal year of the  
21           relevant hospital entity, or the fiscal year of one of the  
22           hospital owners in the hospital system if the relevant  
23           hospital entity is a hospital system with members with  
24           different fiscal years, that ends in the year for which the  
25           exemption is sought.

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1           Section 5-30. The Cigarette Tax Act is amended by changing  
2 Sections 1 and 2 as follows:

3           (35 ILCS 130/1) (from Ch. 120, par. 453.1)

4           Sec. 1. For the purposes of this Act:

5           "Brand Style" means a variety of cigarettes distinguished  
6 by the tobacco used, tar and nicotine content, flavoring used,  
7 size of the cigarette, filtration on the cigarette or  
8 packaging.

9           Until July 1, 2012, "cigarette" "~~Cigarette~~", means any roll  
10 for smoking made wholly or in part of tobacco irrespective of  
11 size or shape and whether or not such tobacco is flavored,  
12 adulterated or mixed with any other ingredient, and the wrapper  
13 or cover of which is made of paper or any other substance or  
14 material except tobacco.

15           "Cigarette", beginning on and after July 1, 2012, means any  
16 roll for smoking made wholly or in part of tobacco irrespective  
17 of size or shape and whether or not such tobacco is flavored,  
18 adulterated, or mixed with any other ingredient, and the  
19 wrapper or cover of which is made of paper.

20           "Cigarette" beginning on and after July 1, 2012, also shall  
21 mean: Any roll for smoking made wholly or in part of tobacco  
22 labeled as anything other than a cigarette or not bearing a  
23 label, if it meets two or more of the following criteria:

24           (a) the product is sold in packs similar to cigarettes;

25           (b) the product is available for sale in cartons of ten

15 covering the preceding calendar month. The return shall  
16 disclose the wholesale price for all tobacco products and the  
17 quantity of moist snuff sold or otherwise disposed of and other  
18 information that the Department may reasonably require. The  
19 return shall be filed upon a form prescribed and furnished by  
20 the Department.

21 At the time when any return of any distributor is due to be  
22 filed with the Department, the distributor shall also remit to  
23 the Department the tax liability that the distributor has  
24 incurred for transactions occurring in the preceding calendar  
25 month.

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1 (Source: P.A. 89-21, eff. 6-6-95.)

2 Section 5-55. The Property Tax Code is amended by changing  
3 Section 15-10 and by adding Section 15-86 as follows:

4 (35 ILCS 200/15-10)

5 Sec. 15-10. Exempt property; procedures for certification.

6 (a) All property granted an exemption by the Department  
7 pursuant to the requirements of Section 15-5 and described in  
8 the Sections following Section 15-30 and preceding Section  
9 16-5, to the extent therein limited, is exempt from taxation.  
10 In order to maintain that exempt status, the titleholder or the  
11 owner of the beneficial interest of any property that is exempt  
12 must file with the chief county assessment officer, on or  
13 before January 31 of each year (May 31 in the case of property  
14 exempted by Section 15-170), an affidavit stating whether there  
15 has been any change in the ownership or use of the property, ~~or~~  
16 the status of the owner-resident, the satisfaction by a  
17 relevant hospital entity of the condition for an exemption  
18 under Section 15-86, or that a disabled veteran who qualifies  
19 under Section 15-165 owned and used the property as of January  
20 1 of that year. The nature of any change shall be stated in the  
21 affidavit. Failure to file an affidavit shall, in the  
22 discretion of the assessment officer, constitute cause to

23 terminate the exemption of that property, notwithstanding any  
24 other provision of this Code. Owners of 5 or more such exempt

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1 parcels within a county may file a single annual affidavit in  
2 lieu of an affidavit for each parcel. The assessment officer,  
3 upon request, shall furnish an affidavit form to the owners, in  
4 which the owner may state whether there has been any change in  
5 the ownership or use of the property or status of the owner or  
6 resident as of January 1 of that year. The owner of 5 or more  
7 exempt parcels shall list all the properties giving the same  
8 information for each parcel as required of owners who file  
9 individual affidavits.

10 (b) However, titleholders or owners of the beneficial  
11 interest in any property exempted under any of the following  
12 provisions are not required to submit an annual filing under  
13 this Section:

14 (1) Section 15-45 (burial grounds) in counties of less  
15 than 3,000,000 inhabitants and owned by a not-for-profit  
16 organization.

17 (2) Section 15-40.

18 (3) Section 15-50 (United States property).

19 (c) If there is a change in use or ownership, however,  
20 notice must be filed pursuant to Section 15-20.

21 (d) An application for homestead exemptions shall be filed  
22 as provided in Section 15-170 (senior citizens homestead  
23 exemption), Section 15-172 (senior citizens assessment freeze  
24 homestead exemption), and Sections 15-175 (general homestead  
25 exemption), 15-176 (general alternative homestead exemption),  
26 and 15-177 (long-time occupant homestead exemption),

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1 respectively.

2 (e) For purposes of determining satisfaction of the

3 condition for an exemption under Section 15-86:

4 (1) The "year for which exemption is sought" is the  
5 year prior to the year in which the affidavit is due.

6 (2) The "hospital year" is the fiscal year of the  
7 relevant hospital entity, or the fiscal year of one of the  
8 hospitals in the hospital system if the relevant hospital  
9 entity is a hospital system with members with different  
10 fiscal years, that ends in the year prior to the year in  
11 which the affidavit is due. However, if that fiscal year  
12 ends 3 months or less before the date on which the  
13 affidavit is due, the relevant hospital entity shall file  
14 an interim affidavit based on the currently available  
15 information, and shall file a supplemental affidavit  
16 within 90 days of date on which the application was due, if  
17 the information in the relevant hospital entity's audited  
18 financial statements changes the interim affidavit's  
19 statement concerning the entity's compliance with the  
20 calculation required by Section 15-86.

21 (3) The affidavit shall be accompanied by an exhibit  
22 prepared by the relevant hospital entity showing (A) the  
23 value of the relevant hospital entity's services and  
24 activities, if any, under items (1) through (7) of  
25 subsection (e) of Section 15-86, stated separately for each  
26 item, and (B) the value relating to the relevant hospital

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1 entity's estimated property tax liability under paragraphs  
2 (A), (B), and (C) of item (1) of subsection (g) of Section  
3 15-86; under paragraphs (A), (B), and (C) of item (2) of  
4 subsection (g) of Section 15-86; and under item (3) of  
5 subsection (g) of Section 15-86.

6 (Source: P.A. 95-644, eff. 10-12-07.)

7 (35 ILCS 200/15-86 new)

8 Sec. 15-86. Exemptions related to access to hospital and  
9 health care services by low-income and underserved  
10 individuals.



11           (a) The General Assembly finds:  
12           (1) Despite the Supreme Court's decision in *Provena*  
13           *Covenant Medical Center v. Dept. of Revenue*, 236 Ill.2d  
14           368, there is considerable uncertainty surrounding the  
15           test for charitable property tax exemption, especially  
16           regarding the application of a quantitative or monetary  
17           threshold. In *Provena*, the Department stated that the  
18           primary basis for its decision was the hospital's  
19           inadequate amount of charitable activity, but the  
20           Department has not articulated what constitutes an  
21           adequate amount of charitable activity. After *Provena*, the  
22           Department denied property tax exemption applications of 3  
23           more hospitals, and, on the effective date of this  
24           amendatory Act of the 97th General Assembly, at least 20  
25           other hospitals are awaiting rulings on applications for

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1           property tax exemption.  
2           (2) In *Provena*, two Illinois Supreme Court justices  
3           opined that, "setting a monetary or quantum standard is a  
4           complex decision which should be left to our legislature,  
5           should it so choose". The Appellate Court in *Provena*  
6           stated: "The language we use in the State of Illinois to  
7           determine whether real property is used for a charitable  
8           purpose has its genesis in our 1870 Constitution. It is  
9           obvious that such language may be difficult to apply to the  
10           modern face of our nation's health care delivery systems".  
11           The court noted the many significant changes in the health  
12           care system since that time, but concluded that taking  
13           these changes into account is a matter of public policy,  
14           and "it is the legislature's job, not ours, to make public  
15           policy".  
16           (3) It is essential to ensure that tax exemption law  
17           relating to hospitals accounts for the complexities of the  
18           modern health care delivery system. Health care is moving  
19           beyond the walls of the hospital. In addition to treating  
20

21 individual patients, hospitals are assuming responsibility  
22 for improving the health status of communities and  
23 populations. Low-income and underserved communities  
24 benefit disproportionately by these activities.

25 (4) The Supreme Court has explained that: "the  
26 fundamental ground upon which all exemptions in favor of  
charitable institutions are based is the benefit conferred

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1 upon the public by them, and a consequent relief, to some  
2 extent, of the burden upon the state to care for and  
3 advance the interests of its citizens". Hospitals relieve  
4 the burden of government in many ways, but most  
5 significantly through their participation in and  
6 substantial financial subsidization of the Illinois  
7 Medicaid program, which could not operate without the  
8 participation and partnership of Illinois hospitals.

9 (5) Working with the Illinois hospital community and  
10 other interested parties, the General Assembly has  
11 developed a comprehensive combination of related  
12 legislation that addresses hospital property tax  
13 exemption, significantly increases access to free health  
14 care for indigent persons, and strengthens the Medical  
15 Assistance program. It is the intent of the General  
16 Assembly to establish a new category of ownership for  
17 charitable property tax exemption to be applied to  
18 not-for-profit hospitals and hospital affiliates in lieu  
19 of the existing ownership category of "institutions of  
20 public charity". It is also the intent of the General  
21 Assembly to establish quantifiable standards for the  
22 issuance of charitable exemptions for such property. It is  
23 not the intent of the General Assembly to declare any  
24 property exempt ipso facto, but rather to establish  
25 criteria to be applied to the facts on a case-by-case  
26 basis.

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1       (b) For the purpose of this Section and Section 15-10, the  
2 following terms shall have the meanings set forth below:

3           (1) "Hospital" means any institution, place, building,  
4 buildings on a campus, or other health care facility  
5 located in Illinois that is licensed under the Hospital  
6 Licensing Act and has a hospital owner.

7           (2) "Hospital owner" means a not-for-profit  
8 corporation that is the titleholder of a hospital, or the  
9 owner of the beneficial interest in an Illinois land trust  
10 that is the titleholder of a hospital.

11           (3) "Hospital affiliate" means any corporation,  
12 partnership, limited partnership, joint venture, limited  
13 liability company, association or other organization,  
14 other than a hospital owner, that directly or indirectly  
15 controls, is controlled by, or is under common control with  
16 one or more hospital owners and that supports, is supported  
17 by, or acts in furtherance of the exempt health care  
18 purposes of at least one of those hospital owners'  
19 hospitals.

20           (4) "Hospital system" means a hospital and one or more  
21 other hospitals or hospital affiliates related by common  
22 control or ownership.

23           (5) "Control" relating to a hospital owners, hospital  
24 affiliates, or hospital systems means possession, direct  
25 or indirect, of the power to direct or cause the direction  
26 of the management and policies of the entity, whether

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1       through ownership of assets, membership interest, other  
2 voting or governance rights, by contract or otherwise.

3           (6) "Hospital applicant" means a hospital owner or  
4 hospital affiliate that files an application for a property  
5 tax exemption pursuant to Section 15-5 and this Section.  
6

7           (7) "Relevant hospital entity" means (A) the hospital  
8           owner, in the case of a hospital applicant that is a  
9           hospital owner, and (B) at the election of a hospital  
10           applicant that is a hospital affiliate, either (i) the  
11           hospital affiliate or (ii) the hospital system to which the  
12           hospital applicant belongs, including any hospitals or  
13           hospital affiliates that are related by common control or  
14           ownership.

15           (8) "Subject property" means property for which a  
16           hospital applicant files an application for an exemption  
17           pursuant to Section 15-5 and this Section.

18           (9) "Hospital year" means the fiscal year of the  
19           relevant hospital entity, or the fiscal year of one of the  
20           hospital owners in the hospital system if the relevant  
21           hospital entity is a hospital system with members with  
22           different fiscal years, that ends in the year for which the  
23           exemption is sought.

24           (c) A hospital applicant satisfies the conditions for an  
25           exemption under this Section with respect to the subject  
26           property, and shall be issued a charitable exemption for that  
              property, if the value of services or activities listed in

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1           subsection (e) for the hospital year equals or exceeds the  
2           relevant hospital entity's estimated property tax liability,  
3           as determined under subsection (g), for the year for which  
4           exemption is sought. For purposes of making the calculations  
5           required by this subsection (c), if the relevant hospital  
6           entity is a hospital owner that owns more than one hospital,  
7           the value of the services or activities listed in subsection  
8           (e) shall be calculated on the basis of only those services and  
9           activities relating to the hospital that includes the subject  
10           property, and the relevant hospital entity's estimated  
11           property tax liability shall be calculated only with respect to  
12           the properties comprising that hospital. In the case of a  
13           multi-state hospital system or hospital affiliate, the value of  
14

15 the services or activities listed in subsection (e) shall be  
16 calculated on the basis of only those services and activities  
17 that occur in Illinois and the relevant hospital entity's  
18 estimated property tax liability shall be calculated only with  
19 respect to its property located in Illinois.

20 Notwithstanding any other provisions of this Act, any  
21 parcel or portion thereof, that is owned by a for-profit entity  
22 whether part of the hospital system or not, or that is leased,  
23 licensed or operated by a for-profit entity regardless of  
24 whether healthcare services are provided on that parcel shall  
25 not qualify for exemption. If a parcel has both exempt and  
26 non-exempt uses, an exemption may be granted for the qualifying  
portion of that parcel. In the case of parking lots and common

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1 areas serving both exempt and non-exempt uses those parcels or  
2 portions thereof may qualify for an exemption in proportion to  
3 the amount of qualifying use.

4 (d) The hospital applicant shall include information in its  
5 exemption application establishing that it satisfies the  
6 requirements of subsection (c). For purposes of making the  
7 calculations required by subsection (c), the hospital  
8 applicant may for each year elect to use either (1) the value  
9 of the services or activities listed in subsection (e) for the  
10 hospital year or (2) the average value of those services or  
11 activities for the 3 fiscal years ending with the hospital  
12 year. If the relevant hospital entity has been in operation for  
13 less than 3 completed fiscal years, then the latter  
14 calculation, if elected, shall be performed on a pro rata  
15 basis.

16 (e) Services that address the health care needs of  
17 low-income or underserved individuals or relieve the burden of  
18 government with regard to health care services. The following  
19 services and activities shall be considered for purposes of  
20 making the calculations required by subsection (c):

21 (1) Charity care. Free or discounted services provided  
22

23 pursuant to the relevant hospital entity's financial  
24 assistance policy, measured at cost, including discounts  
25 provided under the Hospital Uninsured Patient Discount  
26 Act.

(2) Health services to low-income and underserved

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1 individuals. Other unreimbursed costs of the relevant  
2 hospital entity for providing without charge, paying for,  
3 or subsidizing goods, activities, or services for the  
4 purpose of addressing the health of low-income or  
5 underserved individuals. Those activities or services may  
6 include, but are not limited to: financial or in-kind  
7 support to affiliated or unaffiliated hospitals, hospital  
8 affiliates, community clinics, or programs that treat  
9 low-income or underserved individuals; paying for or  
10 subsidizing health care professionals who care for  
11 low-income or underserved individuals; providing or  
12 subsidizing outreach or educational services to low-income  
13 or underserved individuals for disease management and  
14 prevention; free or subsidized goods, supplies, or  
15 services needed by low-income or underserved individuals  
16 because of their medical condition; and prenatal or  
17 childbirth outreach to low-income or underserved persons.

18 (3) Subsidy of State or local governments. Direct or  
19 indirect financial or in-kind subsidies of State or local  
20 governments by the relevant hospital entity that pay for or  
21 subsidize activities or programs related to health care for  
22 low-income or underserved individuals.

23 (4) Support for State health care programs for  
24 low-income individuals. At the election of the hospital  
25 applicant for each applicable year, either (A) 10% of  
26 payments to the relevant hospital entity and any hospital

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1 affiliate designated by the relevant hospital entity  
2 (provided that such hospital affiliate's operations  
3 provide financial or operational support for or receive  
4 financial or operational support from the relevant  
5 hospital entity) under Medicaid or other means-tested  
6 programs, including, but not limited, to General  
7 Assistance, the Covering ALL KIDS Health Insurance Act, and  
8 the State Children's Health Insurance Program or (B) the  
9 amount of subsidy provided by the relevant hospital entity  
10 and any hospital affiliate designated by the relevant  
11 hospital entity (provided that such hospital affiliate's  
12 operations provide financial or operational support for or  
13 receive financial or operational support from the relevant  
14 hospital entity) to State or local government in treating  
15 Medicaid recipients and recipients of means-tested  
16 programs, including but not limited to General Assistance,  
17 the Covering ALL KIDS Health Insurance Act, and the State  
18 Children's Health Insurance Program. The amount of subsidy  
19 for purpose of this item (4) is calculated in the same  
20 manner as unreimbursed costs are calculated for Medicaid  
21 and other means-tested government programs in the Schedule  
22 H of IRS Form 990 in effect on the effective date of this  
23 amendatory Act of the 97th General Assembly; provided,  
24 however, that in any event unreimbursed costs shall be net  
25 of fee-for-services payments, payments pursuant to an  
26 assessment, quarterly payments, and all other payments

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1 included on the schedule H of the IRS form 990.  
2 (5) Dual-eligible subsidy. The amount of subsidy  
3 provided to government by treating dual-eligible  
4 Medicare/Medicaid patients. The amount of subsidy for  
5 purposes of this item (5) is calculated by multiplying the  
6 relevant hospital entity's unreimbursed costs for  
7 Medicare, calculated in the same manner as determined in  
8

9 the Schedule H of IRS Form 990 in effect on the effective  
10 date of this amendatory Act of the 97th General Assembly,  
11 by the relevant hospital entity's ratio of dual-eligible  
12 patients to total Medicare patients.

13 (6) Relief of the burden of government related to  
14 health care of low-income individuals. Except to the extent  
15 otherwise taken into account in this subsection, the  
16 portion of unreimbursed costs of the relevant hospital  
17 entity attributable to providing, paying for, or  
18 subsidizing goods, activities, or services that relieve  
19 the burden of government related to health care for  
20 low-income individuals. Such activities or services shall  
21 include, but are not limited to, providing emergency,  
22 trauma, burn, neonatal, psychiatric, rehabilitation, or  
23 other special services; providing medical education; and  
24 conducting medical research or training of health care  
25 professionals. The portion of those unreimbursed costs  
26 attributable to benefiting low-income individuals shall be  
determined using the ratio calculated by adding the

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1 relevant hospital entity's costs attributable to charity  
2 care, Medicaid, other means-tested government programs,  
3 disabled Medicare patients under age 65, and dual-eligible  
4 Medicare/Medicaid patients and dividing that total by the  
5 relevant hospital entity's total costs. Such costs for the  
6 numerator and denominator shall be determined by  
7 multiplying gross charges by the cost to charge ratio taken  
8 from the hospitals most recently filed Medicare cost report  
9 (CMS 2252-10 Worksheet C, Part I). In the case of emergency  
10 services, the ratio shall be calculated using costs (gross  
11 charges multiplied by the cost to charge ratio taken from  
12 the hospitals most recently filed Medicare cost report (CMS  
13 2252-10 Worksheet C, Part I)) of patients treated in the  
14 relevant hospital entity's emergency department.

15 (7) Any other activity by the relevant hospital entity  
16



17 that the Department determines relieves the burden of  
18 government or addresses the health of low-income or  
19 underserved individuals.

20 (f) For purposes of making the calculations required by  
subsections (c) and (e):

21 (1) particular services or activities eligible for  
22 consideration under any of the paragraphs (1) through (7)  
23 of subsection (e) may not be counted under more than one of  
24 those paragraphs; and

25 (2) the amount of unreimbursed costs and the amount of  
26 subsidy shall not be reduced by restricted or unrestricted

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1 payments received by the relevant hospital entity as  
2 contributions deductible under Section 170(a) of the  
3 Internal Revenue Code.

4 (g) Estimation of Exempt Property Tax Liability. The  
5 estimated property tax liability used for the determination in  
6 subsection (c) shall be calculated as follows:

7 (1) "Estimated property tax liability" means the  
8 estimated dollar amount of property tax that would be owed,  
9 with respect to the exempt portion of each of the relevant  
10 hospital entity's properties that are already fully or  
11 partially exempt, or for which an exemption in whole or in  
12 part is currently being sought, and then aggregated as  
13 applicable, as if the exempt portion of those properties  
14 were subject to tax, calculated with respect to each such  
15 property by multiplying:

16 (A) the lesser of (i) the actual assessed value, if  
17 any, of the portion of the property for which an  
18 exemption is sought or (ii) an estimated assessed value  
19 of the exempt portion of such property as determined in  
20 item (2) of this subsection (g), by:

21 (B) the applicable State equalization rate  
22 (yielding the equalized assessed value), by

23 (C) the applicable tax rate.  
24

25           (2) The estimated assessed value of the exempt portion  
26           of the property equals the sum of (i) the estimated fair  
              market value of buildings on the property, as determined in

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1           accordance with subparagraphs (A) and (B) of this item (2),  
2           multiplied by the applicable assessment factor, and (ii)  
3           the estimated assessed value of the land portion of the  
4           property, as determined in accordance with subparagraph  
5           (C).

6           (A) The "estimated fair market value of buildings  
7           on the property" means the replacement value of any  
8           exempt portion of buildings on the property, minus  
9           depreciation, determined utilizing the cost  
10           replacement method whereby the exempt square footage  
11           of all such buildings is multiplied by the replacement  
12           cost per square foot for Class A Average building found  
13           in the most recent edition of the Marshall & Swift  
14           Valuation Services Manual, adjusted by any appropriate  
15           current cost and local multipliers.

16           (B) Depreciation, for purposes of calculating the  
17           estimated fair market value of buildings on the  
18           property, is applied by utilizing a weighted mean life  
19           for the buildings based on original construction and  
20           assuming a 40-year life for hospital buildings and the  
21           applicable life for other types of buildings as  
22           specified in the American Hospital Association  
23           publication "Estimated Useful Lives of Depreciable  
24           Hospital Assets". In the case of hospital buildings,  
25           the remaining life is divided by 40 and this ratio is  
26           multiplied by the replacement cost of the buildings to

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1           obtain an estimated fair market value of buildings. If

2           a hospital building is older than 35 years, a remaining  
3           life of 5 years for residual value is assumed; and if a  
4           building is less than 8 years old, a remaining life of  
5           32 years is assumed.

6           (C) The estimated assessed value of the land  
7           portion of the property shall be determined by  
8           multiplying (i) the per square foot average of the  
9           assessed values of three parcels of land (not including  
10           farm land, and excluding the assessed value of the  
11           improvements thereon) reasonably comparable to the  
12           property, by (ii) the number of square feet comprising  
13           the exempt portion of the property's land square  
14           footage.

15           (3) The assessment factor, State equalization rate,  
16           and tax rate (including any special factors such as  
17           Enterprise Zones) used in calculating the estimated  
18           property tax liability shall be for the most recent year  
19           that is publicly available from the applicable chief county  
20           assessment officer or officers at least 90 days before the  
21           end of the hospital year.

22           (4) The method utilized to calculate estimated  
23           property tax liability for purposes of this Section 15-86  
24           shall not be utilized for the actual valuation, assessment,  
25           or taxation of property pursuant to the Property Tax Code.

26           (h) Application. Each hospital applicant applying for a

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1           property tax exemption pursuant to Section 15-5 and this  
2           Section shall use an application form provided by the  
3           Department. The application form shall specify the records  
4           required in support of the application and those records shall  
5           be submitted to the Department with the application form. Each  
6           application or affidavit shall contain a verification by the  
7           Chief Executive Officer of the hospital applicant under oath or  
8           affirmation stating that each statement in the application or  
9           affidavit and each document submitted with the application or  
10

11 affidavit are true and correct. The records submitted with the  
 12 application pursuant this Section shall include an exhibit  
 13 prepared by the relevant hospital entity showing (A) the value  
 14 of the relevant hospital entity's services and activities, if  
 15 any, under paragraphs (1) through (7) of subsection (e) of this  
 16 Section stated separately for each paragraph, and (B) the value  
 17 relating to the relevant hospital entity's estimated property  
 18 tax liability under subsections (g) (1) (A), (B), and (C),  
 19 subsections (g) (2) (A), (B), and (C), and subsection (g) (3) of  
 20 this Section stated separately for each item. Such exhibit will  
 21 be made available to the public by the chief county assessment  
 22 officer. Nothing in this Section shall be construed as limiting  
 23 the Attorney General's authority under the Illinois False  
 24 Claims Act.

25 (i) Nothing in this Section shall be construed to limit the  
 26 ability of otherwise eligible hospitals, hospital owners,  
hospital affiliates, or hospital systems to obtain or maintain

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1 property tax exemptions pursuant to a provision of the Property  
 2 Tax Code other than this Section.

3 Section 5-60. The Illinois Public Aid Code is amended by  
 4 changing Sections 5A-1, 5A-2, 5A-4, 5A-5, 5A-8, 5A-10, 5A-13,  
 5 and 5A-14 and by adding Sections 5A-12.4 and 5A-15 as follows:

6 (305 ILCS 5/5A-1) (from Ch. 23, par. 5A-1)

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

9 ~~"Adjusted gross hospital revenue" shall be determined~~  
 10 ~~separately for inpatient and outpatient services for each~~  
 11 ~~hospital conducted, operated or maintained by a hospital~~  
 12 ~~provider, and means the hospital provider's total gross~~  
 13 ~~revenues less. (i) gross revenue attributable to non-hospital~~  
 14 ~~based services including home dialysis services, durable~~  
 15 ~~medical equipment, ambulance services, outpatient clinics and~~  
 16 ~~any other non hospital based services as determined by the~~

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