

**Illinois Department of Revenue  
Regulations**

**Title 86 Part 4000 Section 4000.105 Definitions**

**TITLE 86: REVENUE  
CHAPTER I: DEPARTMENT OF REVENUE**

**PART 4000  
STAR BONDS**

**Section 4000.105 Definitions**

The following definitions are applicable to this Part and derived from Section 10 of the Act.

" Act" means the Innovation Development and Economy Act [50 ILCS 470].

*"Adverse impacts"* means the negative effect of the proposed STAR bond project on existing businesses and units of local government within the market area and includes, but is not limited to, any negative effects on local, regional and State employment, including displacement; any negative effect on the local, regional and State economies; any negative effect on sales and income tax revenue; any negative effect on local vacancy rates for all property in the market area similar to property that is proposed to be developed in the STAR bonds district; and any negative environmental impact.

"Applicant" means a political subdivision that applies to the Illinois Department of Revenue for approval of a STAR bond district or STAR bond project.

*"Base year"* means the calendar year immediately prior to the calendar year in which the STAR bond district is established.

*"Department"* means the Illinois Department of Revenue.

*"Destination hotel"* means a hotel (as that term is defined in Section 2 of the Hotel Operators' Occupation Tax Act [35 ILCS 145]) complex having at least 150 guest rooms and that also includes a venue for entertainment attractions, rides, or other activities oriented toward the entertainment and amusement of its guests and other patrons.

*"Destination user"* means an owner, operator, licensee, co-developer, subdeveloper or tenant:

*that operates a business within a STAR bond district that is a retail store having at least 150,000 square feet of sales floor area;*

*that at the time of opening does not have another Illinois location within a 70 mile radius;*

*that has an annual average of not less than 30% of customers who travel from at least 75 miles away or from out-of-state, as demonstrated by data from a comparable existing store or stores, or, if there is no comparable existing store,*

*as demonstrated by an economic analysis that shows that the proposed retailer will have an annual average of not less than 30% of customers who travel from at least 75 miles away or from out-of-state who would not have traveled without the presence of the destination user; and*

*that makes an initial capital investment, including project costs and other direct costs, of not less than \$30,000,000 for the retail store.*

*"Director" means the Director of Revenue, who shall consult with the Director of Commerce and Economic Opportunity in any approvals or decisions required by the Director under the Act.*

*"Economic impact study" means a study conducted by an independent economist to:*

*project the financial benefit of the proposed STAR bond project to the local, regional and State economies;*

*consider the proposed adverse impacts on similar projects and businesses, as well as municipalities within the projected market area; and*

*draw conclusions about the net effect of the proposed STAR bond project on the local, regional and State economies.*

*"Eligible area" means any improved or vacant area that:*

*is contiguous and is not, in the aggregate, less than 250 acres nor more than 500 acres that include only parcels of real property directly and substantially benefited by the proposed STAR bond district plan;*

*is adjacent to a federal interstate highway;*

*is within one mile of 2 State highways;*

*is within one mile of an entertainment user, or a major or minor league sports stadium or other similar entertainment venue that had an initial capital investment of at least \$20,000,000; and*

*includes land that was previously surface or strip mined.*

*The area may be bisected by streets, highways, roads, alleys, railways, bike paths, streams, rivers and other waterways and still be deemed contiguous. In addition, in order to constitute an eligible area, one of the following requirements must be satisfied and all of which are subject to the review and approval of the Director as provided in Section 4000.201(b):*

*the governing body of the political subdivision shall have determined that the area meets the requirements of a "blighted area" as defined under the Tax Increment Allocation Redevelopment Act [65 ILCS 5/Ch. 11, Div. 74.4]; or*

*the governing body of the political subdivision shall have determined that the area is a blighted area as determined under the provisions of Section 11-74.3-5*

of the Illinois Municipal Code [65 ILCS 5/11-74.3-5] (the Business District Development and Redevelopment Law); or

*the governing body of the political subdivision shall make the following findings:*

*that the vacant portions of the area have remained vacant for at least one year, or that any building located on a vacant portion of the property was demolished within the last year and that the building would have qualified under the following paragraph;*

*if portions of the area are currently developed, that the use, condition and character of the buildings on the property are not consistent with the purposes set forth in Section 5 of the Act;*

*that the STAR bond district is expected to create or retain job opportunities within the political subdivision;*

*that the STAR bond district will serve to further the development of adjacent areas;*

*that without the availability of STAR bonds, the projects described in the STAR bond district plan would not be possible;*

*that the master developer meets high standards of creditworthiness and financial strength as demonstrated by one or more of the following: corporate debenture ratings of BBB or higher by Standard & Poor's Corporation or Baa or higher by Moody's Investors Service, Inc.; a letter from a financial institution with assets of \$10,000,000 or more attesting to the financial strength of the master developer; or specific evidence of equity financing for not less than 10% of the estimated total STAR bond project costs;*

*that the STAR bond district will strengthen the commercial sector of the political subdivision;*

*that the STAR bond district will enhance the tax base of the political subdivision; and*

*that the formation of a STAR bond district is in the best interest of the political subdivision.*

*"Entertainment user" means an owner, operator, licensee, co-developer, subdeveloper or tenant that operates a business within a STAR bond district that has a primary use of providing a venue for entertainment attractions, rides or other activities oriented toward the entertainment and amusement of its patrons, occupies at least 20 acres of land in the STAR bond district, and makes an initial capital investment, including project costs and other direct and indirect costs, of not less than \$25,000,000 for that venue.*

*"Feasibility study" means and includes all of the elements of the feasibility study set forth in Section 4000.301.*

*"Financial benefit"* means the positive effect of the proposed STAR bond project on existing businesses and units of local government within the market area and includes, but is not limited to, any positive effects on local, regional and State employment; any positive effect on the local, regional and State economies; any positive effect on sales and income tax receipts; and any positive effect on local vacancy rates for all property in the market area similar to property that is proposed to be developed in the STAR bond district.

*"Job"* means a full-time permanent equivalent, direct job.

*"Local economy"* means the economy of the political subdivision in which the STAR bond project is proposed.

*"Local sales taxes" means any locally-imposed taxes received by a municipality, county, or other local governmental entity arising from sales by retailers and servicemen within a STAR bond district, including business district sales taxes and STAR bond occupation taxes, and that portion of the net revenue realized under the Retailers' Occupation Tax Act [35 ILCS 120], the Use Tax Act [35 ILCS 105], the Service Use Tax Act [35 ILCS 110], and the Service Occupation Tax Act [35 ILCS 115] from transactions at places of business located within a STAR bond district that is deposited into the Local Government Tax Fund and the County and Mass Transit District Fund. For the purpose of the Act, "local sales taxes" does not include:*

*any taxes authorized pursuant to the Local Mass Transit District Act [70 ILCS 3610], the Metro-East Park and Recreation District Act [70 ILCS 1605], or the Flood Prevention District Act [70 ILCS 750] for so long as the applicable taxing district does not impose a tax on real property; or*

*county school facility occupation taxes imposed pursuant to Section 5-1006.7 of the Counties Code. [55 ILCS 5/5-1006.7]*

This means that, except as otherwise provided in this definition, local sales taxes include any locally-imposed sales taxes in addition to the 1.25% portion of the 6.25% State-imposed sales tax on general merchandise and the 1% State-imposed sales tax on qualifying food, drugs and medical appliances.

*"Local sales tax increment" means, with respect to local sales taxes administered by the Department:*

*all of the local sales tax paid by destination users, destination hotels and entertainment users that is in excess of the local sales tax paid by destination users, destination hotels and entertainment users for the same month in the base year, as determined by the Department;*

*in the case of a municipality forming a STAR bond district that is wholly within the corporate boundaries of the municipality and, in the case of a municipality and county forming a STAR bond district that is only partially within a municipality, that portion of the local sales tax paid by taxpayers that are not destination users, destination hotels or entertainment users that is in excess of the local sales tax paid by taxpayers that are not destination users, destination hotels or entertainment users for the same month in the base year, as determined by the Department; and*

*in the case of a county in which a STAR bond district is formed that is wholly within a municipality, that portion of the local sales tax paid by taxpayers that are not destination users, destination hotels or entertainment users that is in excess of the local sales tax paid by taxpayers that are not destination users, destination hotels or entertainment users for the same month in the base year, as determined by the Department, but only if the corporate authorities of the county adopt an ordinance, and file a copy with the Department within the same time frames as required for STAR bond occupation taxes under Section 31 of the Act, that designates the taxes referenced in this paragraph as part of the local sales tax increment under the Act.*

As indicated in the previous paragraph, if a STAR bond district is formed that is wholly within the boundaries of a municipality, then in order for the proceeds of a county-imposed sales tax or a county's 0.25% share of the 6.25% State-imposed sales tax that is generated in the STAR bond district by taxpayers that are not destination users, destination hotels or entertainment users to be considered as part of the "local sales tax increment", the corporate authorities of the county must adopt an ordinance that designates these tax revenues as part of the local sales tax increment and file a certified copy of that ordinance with the Department on or before April 1 for implementation on the following July 1 or on or before October 1 for implementation on the following January 1. Otherwise, those sales tax revenues will continue to be allocated and distributed by the Department as otherwise directed by the statute, as if there were no STAR bond district.

*"Market study" means a study to determine the ability of the proposed STAR bond project to gain market share locally and regionally and to remain profitable past the term of repayment of STAR bonds.*

*"Master developer" means a developer cooperating with a political subdivision to plan, develop and implement a STAR bond project plan for a STAR bond district. Subject to the limitations of Section 25 of the Act, the master developer may work with and transfer certain development rights to other developers for the purpose of implementing STAR bond project plans and achieving the purposes of the Act. A master developer for a STAR bond district shall be appointed by a political subdivision in the resolution establishing the STAR bond district, and the master developer must, at the time of appointment, own or have control of, through purchase agreements, option contracts or other means, not less than 50% of the acreage within the STAR bond district and the master developer or its affiliate must have ownership or control on June 1, 2010.*

*"Master development agreement" means an agreement between the master developer and the political subdivision to govern a STAR bond district and any STAR bond projects.*

*"New job" means a full-time permanent equivalent, direct job, after accounting for displacement.*

*"Pledged STAR revenues" means those sales tax and revenues and other sources of funds pledged to pay debt service on STAR bonds or to pay project costs pursuant to Section 30 of the Act. Notwithstanding any provision to the contrary, the following revenues shall not constitute pledged STAR revenues or be available to pay principal and interest on STAR bonds: any State sales tax increment or local sales tax increment*

*from a retail entity initiating operations in a STAR bond district while terminating operations at another Illinois location within 25 miles of the STAR bond district. For purposes of this definition, "terminating operations" means a closing of a retail operation that is directly related to the opening of the same operation, or like retail entity owned or operated by more than 50% of the original ownership, in a STAR bond district within one year before or after initiating operations in the STAR bond district, but it does not mean closing an operation for reasons beyond the control of the retail entity, as documented by the retail entity, subject to a reasonable finding by the municipality (or county if the retail operation is not located within a municipality) in which the terminated operations were located that the closed location contained inadequate space, had become economically obsolete or was no longer a viable location for the retailer or serviceman.*

*"Political subdivision" means a municipality or county that undertakes to establish a STAR bond district pursuant to the provisions of the Act.*

*"Project costs" means and includes the sum total of all costs incurred or estimated to be incurred on or following the date of establishment of a STAR bond district that are reasonable or necessary to implement a STAR bond district plan or any STAR bond project plans, or both, including costs incurred for public improvements and private improvements that serve the public purposes set forth in Section 5 of the Act. Those costs include without limitation the following:*

*costs of studies, surveys, development of plans and specifications, formation, implementation, and administration of a STAR bond district, STAR bond district plan, any STAR bond projects or any STAR bond project plans, including, but not limited to, staff and professional service costs for architectural, engineering, legal, financial, planning or other services, provided however that no charges for professional services may be based on a percentage of the tax increment collected and no contracts for professional services, excluding architectural and engineering services, may be entered into if the terms of the contract extend beyond a period of 3 years;*

*property assembly costs, including, but not limited to, acquisition of land and other real property or rights or interests in that property, located within the boundaries of a STAR bond district, demolition of buildings, site preparation, site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to, parking lots and other concrete or asphalt barriers, the clearing and grading of land, and importing additional soil and fill materials, or removal of soil and fill materials from the site;*

*subject to the provisions of the 6<sup>th</sup> indented paragraph of this definition (concerning costs of the design and construction of infrastructure and public works), costs of buildings and other vertical improvements that are located within the boundaries of a STAR bond district and owned by a political subdivision or other public entity, including without limitation police and fire stations, educational facilities and public restrooms and rest areas;*

*costs of buildings and other vertical improvements that are located within the boundaries of a STAR bond district and owned by a destination user or destination hotel; except that only 2 destination users in a STAR bond district and*

*one destination hotel are eligible to include the cost of those vertical improvements as project costs;*

*costs of buildings; rides and attractions, which include carousels, slides, roller coasters, displays, models, towers, works of art and similar theme and amusement park improvements; and other vertical improvements that are located within the boundaries of a STAR bond district and owned by an entertainment user; except that only one entertainment user in a STAR bond district is eligible to include the cost of those vertical improvements as project costs;*

*costs of the design and construction of infrastructure and public works located within the boundaries of a STAR bond district that are reasonable or necessary to implement a STAR bond district plan or any STAR bond project plans, or both, except that project costs shall not include the cost of constructing a new municipal public building principally used to provide offices, storage space, or conference facilities or vehicle storage, maintenance, or repair for administrative, public safety, or public works personnel and that is not intended to replace an existing public building unless the political subdivision makes a reasonable determination in a STAR bond district plan or any STAR bond project plans, supported by information that provides the basis for that determination, that the new municipal building is required to meet an increase in the need for public safety purposes anticipated to result from the implementation of the STAR bond district plan or any STAR bond project plans;*

*costs of the design and construction of the following improvements located outside the boundaries of a STAR bond district, provided that the costs are essential to further the purpose and development of a STAR bond district plan and either are part of and connected to sewer, water, or utility service lines that physically connect to the STAR bond district or are significant improvements for adjacent offsite highways, streets, roadways and interchanges that are approved by the Illinois Department of Transportation. No other cost of infrastructure and public works improvements located outside the boundaries of a STAR bond district may be deemed project costs;*

*costs of job training and retraining projects, including the cost of "welfare to work" programs implemented by businesses located within a STAR bond district;*

*financing costs, including, but not limited to, all necessary and incidental expenses related to the issuance of obligations and that may include payment of interest on any obligations issued, including interest accruing during the estimated period of construction of any improvements in a STAR bond district or any STAR bond projects for which such obligations are issued and for not exceeding 36 months thereafter, and including reasonable reserves related to that financing;*

*to the extent the political subdivision by written agreement accepts and approves the same, all or a portion of a taxing district's capital costs resulting from a STAR bond district or STAR bond projects necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of a STAR bond district plan or STAR bond project plans;*

*interest cost incurred by a developer for project costs related to the acquisition, formation, implementation, development, construction and administration of a STAR bond district, STAR bond district plan, STAR bond projects or any STAR bond project plans, provided that:*

*payment of interest costs in any one year may not exceed 30% of the annual interest costs incurred by the developer with regard to the STAR bond district or any STAR bond projects during that year; and*

*the total of interest payments paid pursuant to the Act may not exceed 30% of the total cost paid or incurred by the developer for a STAR bond district or STAR bond projects, plus project costs, excluding any property assembly costs incurred by a political subdivision pursuant to the Act;*

*costs of common areas located within the boundaries of a STAR bond district;*

*costs of landscaping and plantings, retaining walls and fences, man-made lakes and ponds, shelters, benches, lighting and similar amenities located within the boundaries of a STAR bond district;*

*costs of mounted building signs, site monument and pylon signs located within the boundaries of a STAR bond district; or*

*if included in the STAR bond district plan and approved in writing by the Director, salaries or a portion of salaries for local government employees to the extent the same are directly attributable to the work of those employees on the establishment and management of a STAR bond district or any STAR bond projects.*

*Except as specified in the preceding paragraphs, "project costs" shall not include:*

*the cost of construction of buildings that are privately owned or owned by a municipality and leased to a developer or retail user for non-entertainment retail uses;*

*moving expenses for employees of the businesses locating within the STAR bond district;*

*property taxes for property located in the STAR bond district;*

*lobbying costs; and*

*general overhead or administrative costs of the political subdivision that would still have been incurred by the political subdivision if the political subdivision had not established a STAR bond district.*

*"Projected market area" means any area within the State in which a STAR bond district or STAR bond project is projected to have a significant fiscal or market impact as determined by the Director.*

*"Regional economy" means the market area surrounding the STAR bond district located within Illinois, as determined by the economist preparing the economic impact study and the feasibility consultants preparing the feasibility study.*

*"STAR bond" means a sales tax and revenue bond, note or other obligation payable from pledged STAR revenues and issued by a political subdivision, the proceeds of which shall be used only to pay project costs as defined in the Act and this Part.*

*"STAR bond district" means the specific area declared to be an eligible area as determined by the political subdivision, and approved by the Director, in which the political subdivision may develop one or more STAR bond projects.*

*"STAR bond district plan" means the preliminary or conceptual plan that generally identifies the proposed STAR bond project areas and identifies in a general manner the buildings, facilities and improvements to be constructed or improved in each STAR bond project area.*

*"STAR bond project" means a project within a STAR bond district that is approved pursuant to Section 20 of the Act.*

*"STAR bond project area" means the geographic area within a STAR bond district in which there may be one or more STAR bond projects.*

*"STAR bond project plan" means the written plan adopted by a political subdivision for the development of a STAR bond project in a STAR bond district; the plan may include, but is not limited to:*

*project costs incurred prior to the date of the STAR bond project plan and estimated future STAR bond project costs;*

*proposed sources of funds to pay those costs;*

*the nature and estimated term of any obligations to be issued by the political subdivision to pay those costs;*

*the most recent equalized assessed valuation of the STAR bond project area;*

*an estimate of the equalized assessed valuation of the STAR bond district or applicable project area after completion of a STAR bond project;*

*a general description of the types of any known or proposed developers, users or tenants of the STAR bond project or projects included in the plan;*

*a general description of the type, structure and character of the property or facilities to be developed or improved;*

*a description of the general land uses to apply to the STAR bond project; and*

*a general description or an estimate of the type, class and number of employees to be employed in the operation of the STAR bond project.*

*"State sales tax" means all of the net revenue realized under the Retailers' Occupation Tax Act, the Use Tax Act, the Service Use Tax Act and the Service Occupation Tax Act from transactions at places of business located within a STAR bond district, excluding that portion of the net revenue realized under the Retailers' Occupation Tax Act, the Use Tax Act, the Service Use Tax Act and the Service Occupation Tax Act from transactions at places of business located within a STAR bond district that is deposited into the Local Government Tax Fund and the County and Mass Transit District Fund.*

*"State sales tax increment" means:*

*100% of the State sales tax that is in excess of the State sales tax for the same month in the base year from transactions at up to 2 destination users, one destination hotel and one entertainment user located within a STAR bond district, which destination users, destination hotel and entertainment user shall be designated by the master developer and approved by the political subdivision and the Director in conjunction with the applicable STAR bond project approval. For example, if there were no destination users, destination hotels or entertainment users open in the base year in the area that becomes a STAR bond district, then the sales tax in the base year generated by these types of entities would be zero and the increment would equal the entire amount generated by these designated entities after the STAR bond district is created and these designated entities become operational; and*

*25% of the State sales tax that is in excess of the State sales tax for the same month in the base year from all other transactions within a STAR bond district.*

*If any portion of State sales taxes are, at the time of formation of a STAR bond district, already subject to tax increment financing under the Tax Increment Allocation Redevelopment Act [65 ILCS 5], then the State sales tax increment for that portion shall be frozen at the base year established in accordance with the Act, and all future incremental increases shall be included in the State sales tax increment under the Act. Any party otherwise entitled to receipt of incremental State sales tax revenues through an existing tax increment financing district shall be entitled to continue to receive those revenues up to the amount frozen in the base year. Nothing in the Act shall affect the prior qualification of existing redevelopment project costs incurred that are eligible for reimbursement under the Tax Increment Allocation Redevelopment Act. In that event, prior to approving a STAR bond district, the political subdivision forming the STAR bond district shall take such action as is necessary, including amending the existing tax increment financing district redevelopment plan, to carry out the provisions of the Act.*

*"Substantial change" means a change in which the proposed STAR bond project plan differs substantially in size, scope or use from the approved STAR bond district plan or STAR bond project plan. If a destination user, destination hotel or entertainment user has been approved as part of a district plan or project plan, then any proposal to change to a different destination user, destination hotel or entertainment user is a substantial change. Any substantial changes to a STAR bond project plan as adopted shall be subject to a public hearing following publication of notice in a newspaper of general circulation in the political subdivision and approval by resolution of the governing body of the political subdivision. [50 ILCS 470/20(i)] In accordance with the purpose of the Act, which includes encouraging true destination development, any proposal to change*

to a different destination user, destination hotel, or entertainment user must not take place unless it is also approved by the Director.

*"Total development costs" means the aggregate public and private investment in a STAR bond district, including project costs and other direct and indirect costs related to the development of the STAR bond district.*

*"Traditional retail use" means the operation of a business that derives at least 90% of its annual gross revenue from sales at retail, as that phrase is defined by Section 1 of the Retailers' Occupation Tax Act, but does not include the operations of destination users, entertainment users, restaurants, hotels, retail uses within hotels or any other non-retail uses.*

*"Vacant" means that portion of the land in a proposed STAR bond district that is not occupied by a building, facility or other vertical improvement.*