

# HB2791



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

**HB2791**

by Rep. Lance Yednock

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction for the full amount of union dues paid by the taxpayer during the taxable year if the taxpayer was not allowed a federal deduction under the Internal Revenue Code. Provides that, if any amount of union dues representing federal miscellaneous itemized deductions was allowed as a federal deduction, then the amount allowed as an Illinois deduction shall be a percentage of the union dues disallowed under the Internal Revenue Code. Provides that the deduction is exempt from the Act's automatic sunset provision. Effective immediately.

LRB101 05939 HLH 50960 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 203 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

9 (1) In general. In the case of an individual, base  
10 income means an amount equal to the taxpayer's adjusted  
11 gross income for the taxable year as modified by paragraph  
12 (2).

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

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

23 (B) An amount equal to the amount of tax imposed by

1           this Act to the extent deducted from gross income in  
2           the computation of adjusted gross income for the  
3           taxable year;

4           (C) An amount equal to the amount received during  
5           the taxable year as a recovery or refund of real  
6           property taxes paid with respect to the taxpayer's  
7           principal residence under the Revenue Act of 1939 and  
8           for which a deduction was previously taken under  
9           subparagraph (L) of this paragraph (2) prior to July 1,  
10          1991, the retrospective application date of Article 4  
11          of Public Act 87-17. In the case of multi-unit or  
12          multi-use structures and farm dwellings, the taxes on  
13          the taxpayer's principal residence shall be that  
14          portion of the total taxes for the entire property  
15          which is attributable to such principal residence;

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

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

1 20 of the Medical Care Savings Account Act of 2000;

2 (D-10) For taxable years ending after December 31,  
3 1997, an amount equal to any eligible remediation costs  
4 that the individual deducted in computing adjusted  
5 gross income and for which the individual claims a  
6 credit under subsection (l) of Section 201;

7 (D-15) For taxable years 2001 and thereafter, an  
8 amount equal to the bonus depreciation deduction taken  
9 on the taxpayer's federal income tax return for the  
10 taxable year under subsection (k) of Section 168 of the  
11 Internal Revenue Code;

12 (D-16) If the taxpayer sells, transfers, abandons,  
13 or otherwise disposes of property for which the  
14 taxpayer was required in any taxable year to make an  
15 addition modification under subparagraph (D-15), then  
16 an amount equal to the aggregate amount of the  
17 deductions taken in all taxable years under  
18 subparagraph (Z) with respect to that property.

19 If the taxpayer continues to own property through  
20 the last day of the last tax year for which the  
21 taxpayer may claim a depreciation deduction for  
22 federal income tax purposes and for which the taxpayer  
23 was allowed in any taxable year to make a subtraction  
24 modification under subparagraph (Z), then an amount  
25 equal to that subtraction modification.

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with  
2 respect to any one piece of property;

3 (D-17) An amount equal to the amount otherwise  
4 allowed as a deduction in computing base income for  
5 interest paid, accrued, or incurred, directly or  
6 indirectly, (i) for taxable years ending on or after  
7 December 31, 2004, to a foreign person who would be a  
8 member of the same unitary business group but for the  
9 fact that foreign person's business activity outside  
10 the United States is 80% or more of the foreign  
11 person's total business activity and (ii) for taxable  
12 years ending on or after December 31, 2008, to a person  
13 who would be a member of the same unitary business  
14 group but for the fact that the person is prohibited  
15 under Section 1501(a)(27) from being included in the  
16 unitary business group because he or she is ordinarily  
17 required to apportion business income under different  
18 subsections of Section 304. The addition modification  
19 required by this subparagraph shall be reduced to the  
20 extent that dividends were included in base income of  
21 the unitary group for the same taxable year and  
22 received by the taxpayer or by a member of the  
23 taxpayer's unitary business group (including amounts  
24 included in gross income under Sections 951 through 964  
25 of the Internal Revenue Code and amounts included in  
26 gross income under Section 78 of the Internal Revenue

1 Code) with respect to the stock of the same person to  
2 whom the interest was paid, accrued, or incurred.

3 This paragraph shall not apply to the following:

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

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

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

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

25 (iii) the taxpayer can establish, based on  
26 clear and convincing evidence, that the interest

1           paid, accrued, or incurred relates to a contract or  
2           agreement entered into at arm's-length rates and  
3           terms and the principal purpose for the payment is  
4           not federal or Illinois tax avoidance; or

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

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

21          (D-18) An amount equal to the amount of intangible  
22          expenses and costs otherwise allowed as a deduction in  
23          computing base income, and that were paid, accrued, or  
24          incurred, directly or indirectly, (i) for taxable  
25          years ending on or after December 31, 2004, to a  
26          foreign person who would be a member of the same

1 unitary business group but for the fact that the  
2 foreign person's business activity outside the United  
3 States is 80% or more of that person's total business  
4 activity and (ii) for taxable years ending on or after  
5 December 31, 2008, to a person who would be a member of  
6 the same unitary business group but for the fact that  
7 the person is prohibited under Section 1501(a)(27)  
8 from being included in the unitary business group  
9 because he or she is ordinarily required to apportion  
10 business income under different subsections of Section  
11 304. The addition modification required by this  
12 subparagraph shall be reduced to the extent that  
13 dividends were included in base income of the unitary  
14 group for the same taxable year and received by the  
15 taxpayer or by a member of the taxpayer's unitary  
16 business group (including amounts included in gross  
17 income under Sections 951 through 964 of the Internal  
18 Revenue Code and amounts included in gross income under  
19 Section 78 of the Internal Revenue Code) with respect  
20 to the stock of the same person to whom the intangible  
21 expenses and costs were directly or indirectly paid,  
22 incurred, or accrued. The preceding sentence does not  
23 apply to the extent that the same dividends caused a  
24 reduction to the addition modification required under  
25 Section 203(a)(2)(D-17) of this Act. As used in this  
26 subparagraph, the term "intangible expenses and costs"



1 includes (1) expenses, losses, and costs for, or  
2 related to, the direct or indirect acquisition, use,  
3 maintenance or management, ownership, sale, exchange,  
4 or any other disposition of intangible property; (2)  
5 losses incurred, directly or indirectly, from  
6 factoring transactions or discounting transactions;  
7 (3) royalty, patent, technical, and copyright fees;  
8 (4) licensing fees; and (5) other similar expenses and  
9 costs. For purposes of this subparagraph, "intangible  
10 property" includes patents, patent applications, trade  
11 names, trademarks, service marks, copyrights, mask  
12 works, trade secrets, and similar types of intangible  
13 assets.

14 This paragraph shall not apply to the following:

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

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

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

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

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

20          Nothing in this subsection shall preclude the  
21          Director from making any other adjustment  
22          otherwise allowed under Section 404 of this Act for  
23          any tax year beginning after the effective date of  
24          this amendment provided such adjustment is made  
25          pursuant to regulation adopted by the Department  
26          and such regulations provide methods and standards

1           by which the Department will utilize its authority  
2           under Section 404 of this Act;

3           (D-19) For taxable years ending on or after  
4           December 31, 2008, an amount equal to the amount of  
5           insurance premium expenses and costs otherwise allowed  
6           as a deduction in computing base income, and that were  
7           paid, accrued, or incurred, directly or indirectly, to  
8           a person who would be a member of the same unitary  
9           business group but for the fact that the person is  
10          prohibited under Section 1501(a)(27) from being  
11          included in the unitary business group because he or  
12          she is ordinarily required to apportion business  
13          income under different subsections of Section 304. The  
14          addition modification required by this subparagraph  
15          shall be reduced to the extent that dividends were  
16          included in base income of the unitary group for the  
17          same taxable year and received by the taxpayer or by a  
18          member of the taxpayer's unitary business group  
19          (including amounts included in gross income under  
20          Sections 951 through 964 of the Internal Revenue Code  
21          and amounts included in gross income under Section 78  
22          of the Internal Revenue Code) with respect to the stock  
23          of the same person to whom the premiums and costs were  
24          directly or indirectly paid, incurred, or accrued. The  
25          preceding sentence does not apply to the extent that  
26          the same dividends caused a reduction to the addition

1 modification required under Section 203(a)(2)(D-17) or  
2 Section 203(a)(2)(D-18) of this Act.

3 (D-20) For taxable years beginning on or after  
4 January 1, 2002 and ending on or before December 31,  
5 2006, in the case of a distribution from a qualified  
6 tuition program under Section 529 of the Internal  
7 Revenue Code, other than (i) a distribution from a  
8 College Savings Pool created under Section 16.5 of the  
9 State Treasurer Act or (ii) a distribution from the  
10 Illinois Prepaid Tuition Trust Fund, an amount equal to  
11 the amount excluded from gross income under Section  
12 529(c)(3)(B). For taxable years beginning on or after  
13 January 1, 2007, in the case of a distribution from a  
14 qualified tuition program under Section 529 of the  
15 Internal Revenue Code, other than (i) a distribution  
16 from a College Savings Pool created under Section 16.5  
17 of the State Treasurer Act, (ii) a distribution from  
18 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
19 distribution from a qualified tuition program under  
20 Section 529 of the Internal Revenue Code that (I)  
21 adopts and determines that its offering materials  
22 comply with the College Savings Plans Network's  
23 disclosure principles and (II) has made reasonable  
24 efforts to inform in-state residents of the existence  
25 of in-state qualified tuition programs by informing  
26 Illinois residents directly and, where applicable, to

1 inform financial intermediaries distributing the  
2 program to inform in-state residents of the existence  
3 of in-state qualified tuition programs at least  
4 annually, an amount equal to the amount excluded from  
5 gross income under Section 529(c)(3)(B).

6 For the purposes of this subparagraph (D-20), a  
7 qualified tuition program has made reasonable efforts  
8 if it makes disclosures (which may use the term  
9 "in-state program" or "in-state plan" and need not  
10 specifically refer to Illinois or its qualified  
11 programs by name) (i) directly to prospective  
12 participants in its offering materials or makes a  
13 public disclosure, such as a website posting; and (ii)  
14 where applicable, to intermediaries selling the  
15 out-of-state program in the same manner that the  
16 out-of-state program distributes its offering  
17 materials;

18 (D-20.5) For taxable years beginning on or after  
19 January 1, 2018, in the case of a distribution from a  
20 qualified ABLE program under Section 529A of the  
21 Internal Revenue Code, other than a distribution from a  
22 qualified ABLE program created under Section 16.6 of  
23 the State Treasurer Act, an amount equal to the amount  
24 excluded from gross income under Section 529A(c)(1)(B)  
25 of the Internal Revenue Code;

26 (D-21) For taxable years beginning on or after

1 January 1, 2007, in the case of transfer of moneys from  
2 a qualified tuition program under Section 529 of the  
3 Internal Revenue Code that is administered by the State  
4 to an out-of-state program, an amount equal to the  
5 amount of moneys previously deducted from base income  
6 under subsection (a) (2) (Y) of this Section;

7 (D-21.5) For taxable years beginning on or after  
8 January 1, 2018, in the case of the transfer of moneys  
9 from a qualified tuition program under Section 529 or a  
10 qualified ABLE program under Section 529A of the  
11 Internal Revenue Code that is administered by this  
12 State to an ABLE account established under an  
13 out-of-state ABLE account program, an amount equal to  
14 the contribution component of the transferred amount  
15 that was previously deducted from base income under  
16 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this  
17 Section;

18 (D-22) For taxable years beginning on or after  
19 January 1, 2009, and prior to January 1, 2018, in the  
20 case of a nonqualified withdrawal or refund of moneys  
21 from a qualified tuition program under Section 529 of  
22 the Internal Revenue Code administered by the State  
23 that is not used for qualified expenses at an eligible  
24 education institution, an amount equal to the  
25 contribution component of the nonqualified withdrawal  
26 or refund that was previously deducted from base income

1 under subsection (a)(2)(y) of this Section, provided  
2 that the withdrawal or refund did not result from the  
3 beneficiary's death or disability. For taxable years  
4 beginning on or after January 1, 2018: (1) in the case  
5 of a nonqualified withdrawal or refund, as defined  
6 under Section 16.5 of the State Treasurer Act, of  
7 moneys from a qualified tuition program under Section  
8 529 of the Internal Revenue Code administered by the  
9 State, an amount equal to the contribution component of  
10 the nonqualified withdrawal or refund that was  
11 previously deducted from base income under subsection  
12 (a)(2)(Y) of this Section, and (2) in the case of a  
13 nonqualified withdrawal or refund from a qualified  
14 ABLE program under Section 529A of the Internal Revenue  
15 Code administered by the State that is not used for  
16 qualified disability expenses, an amount equal to the  
17 contribution component of the nonqualified withdrawal  
18 or refund that was previously deducted from base income  
19 under subsection (a)(2)(HH) of this Section;

20 (D-23) An amount equal to the credit allowable to  
21 the taxpayer under Section 218(a) of this Act,  
22 determined without regard to Section 218(c) of this  
23 Act;

24 (D-24) For taxable years ending on or after  
25 December 31, 2017, an amount equal to the deduction  
26 allowed under Section 199 of the Internal Revenue Code

1           for the taxable year;

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

4                   (E) For taxable years ending before December 31,  
5                   2001, any amount included in such total in respect of  
6                   any compensation (including but not limited to any  
7                   compensation paid or accrued to a serviceman while a  
8                   prisoner of war or missing in action) paid to a  
9                   resident by reason of being on active duty in the Armed  
10                  Forces of the United States and in respect of any  
11                  compensation paid or accrued to a resident who as a  
12                  governmental employee was a prisoner of war or missing  
13                  in action, and in respect of any compensation paid to a  
14                  resident in 1971 or thereafter for annual training  
15                  performed pursuant to Sections 502 and 503, Title 32,  
16                  United States Code as a member of the Illinois National  
17                  Guard or, beginning with taxable years ending on or  
18                  after December 31, 2007, the National Guard of any  
19                  other state. For taxable years ending on or after  
20                  December 31, 2001, any amount included in such total in  
21                  respect of any compensation (including but not limited  
22                  to any compensation paid or accrued to a serviceman  
23                  while a prisoner of war or missing in action) paid to a  
24                  resident by reason of being a member of any component  
25                  of the Armed Forces of the United States and in respect  
26                  of any compensation paid or accrued to a resident who



1 as a governmental employee was a prisoner of war or  
2 missing in action, and in respect of any compensation  
3 paid to a resident in 2001 or thereafter by reason of  
4 being a member of the Illinois National Guard or,  
5 beginning with taxable years ending on or after  
6 December 31, 2007, the National Guard of any other  
7 state. The provisions of this subparagraph (E) are  
8 exempt from the provisions of Section 250;

9 (F) An amount equal to all amounts included in such  
10 total pursuant to the provisions of Sections 402(a),  
11 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
12 Internal Revenue Code, or included in such total as  
13 distributions under the provisions of any retirement  
14 or disability plan for employees of any governmental  
15 agency or unit, or retirement payments to retired  
16 partners, which payments are excluded in computing net  
17 earnings from self employment by Section 1402 of the  
18 Internal Revenue Code and regulations adopted pursuant  
19 thereto;

20 (G) The valuation limitation amount;

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

24 (I) An amount equal to all amounts included in such  
25 total pursuant to the provisions of Section 111 of the  
26 Internal Revenue Code as a recovery of items previously

1           deducted from adjusted gross income in the computation  
2           of taxable income;

3           (J) An amount equal to those dividends included in  
4           such total which were paid by a corporation which  
5           conducts business operations in a River Edge  
6           Redevelopment Zone or zones created under the River  
7           Edge Redevelopment Zone Act, and conducts  
8           substantially all of its operations in a River Edge  
9           Redevelopment Zone or zones. This subparagraph (J) is  
10          exempt from the provisions of Section 250;

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

20          (L) For taxable years ending after December 31,  
21          1983, an amount equal to all social security benefits  
22          and railroad retirement benefits included in such  
23          total pursuant to Sections 72(r) and 86 of the Internal  
24          Revenue Code;

25          (M) With the exception of any amounts subtracted  
26          under subparagraph (N), an amount equal to the sum of

1 all amounts disallowed as deductions by (i) Sections  
2 171(a)(2), and 265(a)(2) ~~265(2)~~ of the Internal  
3 Revenue Code, and all amounts of expenses allocable to  
4 interest and disallowed as deductions by Section  
5 265(a)(1) ~~265(1)~~ of the Internal Revenue Code; and (ii)  
6 for taxable years ending on or after August 13, 1999,  
7 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of  
8 the Internal Revenue Code, plus, for taxable years  
9 ending on or after December 31, 2011, Section 45G(e)(3)  
10 of the Internal Revenue Code and, for taxable years  
11 ending on or after December 31, 2008, any amount  
12 included in gross income under Section 87 of the  
13 Internal Revenue Code; the provisions of this  
14 subparagraph are exempt from the provisions of Section  
15 250;

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

25 (O) An amount equal to any contribution made to a  
26 job training project established pursuant to the Tax

1 Increment Allocation Redevelopment Act;

2 (P) An amount equal to the amount of the deduction  
3 used to compute the federal income tax credit for  
4 restoration of substantial amounts held under claim of  
5 right for the taxable year pursuant to Section 1341 of  
6 the Internal Revenue Code or of any itemized deduction  
7 taken from adjusted gross income in the computation of  
8 taxable income for restoration of substantial amounts  
9 held under claim of right for the taxable year;

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

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

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

25 (T) An amount, to the extent included in adjusted  
26 gross income, equal to the amount of interest earned in

1 the taxable year on a medical care savings account  
2 established under the Medical Care Savings Account Act  
3 or the Medical Care Savings Account Act of 2000 on  
4 behalf of the taxpayer, other than interest added  
5 pursuant to item (D-5) of this paragraph (2);

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

12 (V) Beginning with tax years ending on or after  
13 December 31, 1995 and ending with tax years ending on  
14 or before December 31, 2004, an amount equal to the  
15 amount paid by a taxpayer who is a self-employed  
16 taxpayer, a partner of a partnership, or a shareholder  
17 in a Subchapter S corporation for health insurance or  
18 long-term care insurance for that taxpayer or that  
19 taxpayer's spouse or dependents, to the extent that the  
20 amount paid for that health insurance or long-term care  
21 insurance may be deducted under Section 213 of the  
22 Internal Revenue Code, has not been deducted on the  
23 federal income tax return of the taxpayer, and does not  
24 exceed the taxable income attributable to that  
25 taxpayer's income, self-employment income, or  
26 Subchapter S corporation income; except that no

1 deduction shall be allowed under this item (V) if the  
2 taxpayer is eligible to participate in any health  
3 insurance or long-term care insurance plan of an  
4 employer of the taxpayer or the taxpayer's spouse. The  
5 amount of the health insurance and long-term care  
6 insurance subtracted under this item (V) shall be  
7 determined by multiplying total health insurance and  
8 long-term care insurance premiums paid by the taxpayer  
9 times a number that represents the fractional  
10 percentage of eligible medical expenses under Section  
11 213 of the Internal Revenue Code of 1986 not actually  
12 deducted on the taxpayer's federal income tax return;

13 (W) For taxable years beginning on or after January  
14 1, 1998, all amounts included in the taxpayer's federal  
15 gross income in the taxable year from amounts converted  
16 from a regular IRA to a Roth IRA. This paragraph is  
17 exempt from the provisions of Section 250;

18 (X) For taxable year 1999 and thereafter, an amount  
19 equal to the amount of any (i) distributions, to the  
20 extent includible in gross income for federal income  
21 tax purposes, made to the taxpayer because of his or  
22 her status as a victim of persecution for racial or  
23 religious reasons by Nazi Germany or any other Axis  
24 regime or as an heir of the victim and (ii) items of  
25 income, to the extent includible in gross income for  
26 federal income tax purposes, attributable to, derived

1 from or in any way related to assets stolen from,  
2 hidden from, or otherwise lost to a victim of  
3 persecution for racial or religious reasons by Nazi  
4 Germany or any other Axis regime immediately prior to,  
5 during, and immediately after World War II, including,  
6 but not limited to, interest on the proceeds receivable  
7 as insurance under policies issued to a victim of  
8 persecution for racial or religious reasons by Nazi  
9 Germany or any other Axis regime by European insurance  
10 companies immediately prior to and during World War II;  
11 provided, however, this subtraction from federal  
12 adjusted gross income does not apply to assets acquired  
13 with such assets or with the proceeds from the sale of  
14 such assets; provided, further, this paragraph shall  
15 only apply to a taxpayer who was the first recipient of  
16 such assets after their recovery and who is a victim of  
17 persecution for racial or religious reasons by Nazi  
18 Germany or any other Axis regime or as an heir of the  
19 victim. The amount of and the eligibility for any  
20 public assistance, benefit, or similar entitlement is  
21 not affected by the inclusion of items (i) and (ii) of  
22 this paragraph in gross income for federal income tax  
23 purposes. This paragraph is exempt from the provisions  
24 of Section 250;

25 (Y) For taxable years beginning on or after January  
26 1, 2002 and ending on or before December 31, 2004,

1 moneys contributed in the taxable year to a College  
2 Savings Pool account under Section 16.5 of the State  
3 Treasurer Act, except that amounts excluded from gross  
4 income under Section 529(c)(3)(C)(i) of the Internal  
5 Revenue Code shall not be considered moneys  
6 contributed under this subparagraph (Y). For taxable  
7 years beginning on or after January 1, 2005, a maximum  
8 of \$10,000 contributed in the taxable year to (i) a  
9 College Savings Pool account under Section 16.5 of the  
10 State Treasurer Act or (ii) the Illinois Prepaid  
11 Tuition Trust Fund, except that amounts excluded from  
12 gross income under Section 529(c)(3)(C)(i) of the  
13 Internal Revenue Code shall not be considered moneys  
14 contributed under this subparagraph (Y). For purposes  
15 of this subparagraph, contributions made by an  
16 employer on behalf of an employee, or matching  
17 contributions made by an employee, shall be treated as  
18 made by the employee. This subparagraph (Y) is exempt  
19 from the provisions of Section 250;

20 (Z) For taxable years 2001 and thereafter, for the  
21 taxable year in which the bonus depreciation deduction  
22 is taken on the taxpayer's federal income tax return  
23 under subsection (k) of Section 168 of the Internal  
24 Revenue Code and for each applicable taxable year  
25 thereafter, an amount equal to "x", where:

26 (1) "y" equals the amount of the depreciation



1 deduction taken for the taxable year on the  
2 taxpayer's federal income tax return on property  
3 for which the bonus depreciation deduction was  
4 taken in any year under subsection (k) of Section  
5 168 of the Internal Revenue Code, but not including  
6 the bonus depreciation deduction;

7 (2) for taxable years ending on or before  
8 December 31, 2005, "x" equals "y" multiplied by 30  
9 and then divided by 70 (or "y" multiplied by  
10 0.429); and

11 (3) for taxable years ending after December  
12 31, 2005:

13 (i) for property on which a bonus  
14 depreciation deduction of 30% of the adjusted  
15 basis was taken, "x" equals "y" multiplied by  
16 30 and then divided by 70 (or "y" multiplied by  
17 0.429); and

18 (ii) for property on which a bonus  
19 depreciation deduction of 50% of the adjusted  
20 basis was taken, "x" equals "y" multiplied by  
21 1.0.

22 The aggregate amount deducted under this  
23 subparagraph in all taxable years for any one piece of  
24 property may not exceed the amount of the bonus  
25 depreciation deduction taken on that property on the  
26 taxpayer's federal income tax return under subsection

1 (k) of Section 168 of the Internal Revenue Code. This  
2 subparagraph (Z) is exempt from the provisions of  
3 Section 250;

4 (AA) If the taxpayer sells, transfers, abandons,  
5 or otherwise disposes of property for which the  
6 taxpayer was required in any taxable year to make an  
7 addition modification under subparagraph (D-15), then  
8 an amount equal to that addition modification.

9 If the taxpayer continues to own property through  
10 the last day of the last tax year for which the  
11 taxpayer may claim a depreciation deduction for  
12 federal income tax purposes and for which the taxpayer  
13 was required in any taxable year to make an addition  
14 modification under subparagraph (D-15), then an amount  
15 equal to that addition modification.

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

19 This subparagraph (AA) is exempt from the  
20 provisions of Section 250;

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

24 (CC) The amount of (i) any interest income (net of  
25 the deductions allocable thereto) taken into account  
26 for the taxable year with respect to a transaction with

1 a taxpayer that is required to make an addition  
2 modification with respect to such transaction under  
3 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
4 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
5 the amount of that addition modification, and (ii) any  
6 income from intangible property (net of the deductions  
7 allocable thereto) taken into account for the taxable  
8 year with respect to a transaction with a taxpayer that  
9 is required to make an addition modification with  
10 respect to such transaction under Section  
11 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
12 203(d)(2)(D-8), but not to exceed the amount of that  
13 addition modification. This subparagraph (CC) is  
14 exempt from the provisions of Section 250;

15 (DD) An amount equal to the interest income taken  
16 into account for the taxable year (net of the  
17 deductions allocable thereto) with respect to  
18 transactions with (i) a foreign person who would be a  
19 member of the taxpayer's unitary business group but for  
20 the fact that the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity and (ii) for taxable  
23 years ending on or after December 31, 2008, to a person  
24 who would be a member of the same unitary business  
25 group but for the fact that the person is prohibited  
26 under Section 1501(a)(27) from being included in the

1 unitary business group because he or she is ordinarily  
2 required to apportion business income under different  
3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the same  
5 taxable year under Section 203(a)(2)(D-17) for  
6 interest paid, accrued, or incurred, directly or  
7 indirectly, to the same person. This subparagraph (DD)  
8 is exempt from the provisions of Section 250;

9 (EE) An amount equal to the income from intangible  
10 property taken into account for the taxable year (net  
11 of the deductions allocable thereto) with respect to  
12 transactions with (i) a foreign person who would be a  
13 member of the taxpayer's unitary business group but for  
14 the fact that the foreign person's business activity  
15 outside the United States is 80% or more of that  
16 person's total business activity and (ii) for taxable  
17 years ending on or after December 31, 2008, to a person  
18 who would be a member of the same unitary business  
19 group but for the fact that the person is prohibited  
20 under Section 1501(a)(27) from being included in the  
21 unitary business group because he or she is ordinarily  
22 required to apportion business income under different  
23 subsections of Section 304, but not to exceed the  
24 addition modification required to be made for the same  
25 taxable year under Section 203(a)(2)(D-18) for  
26 intangible expenses and costs paid, accrued, or

1 incurred, directly or indirectly, to the same foreign  
2 person. This subparagraph (EE) is exempt from the  
3 provisions of Section 250;

4 (FF) An amount equal to any amount awarded to the  
5 taxpayer during the taxable year by the Court of Claims  
6 under subsection (c) of Section 8 of the Court of  
7 Claims Act for time unjustly served in a State prison.  
8 This subparagraph (FF) is exempt from the provisions of  
9 Section 250;

10 (GG) For taxable years ending on or after December  
11 31, 2011, in the case of a taxpayer who was required to  
12 add back any insurance premiums under Section  
13 203(a)(2)(D-19), such taxpayer may elect to subtract  
14 that part of a reimbursement received from the  
15 insurance company equal to the amount of the expense or  
16 loss (including expenses incurred by the insurance  
17 company) that would have been taken into account as a  
18 deduction for federal income tax purposes if the  
19 expense or loss had been uninsured. If a taxpayer makes  
20 the election provided for by this subparagraph (GG),  
21 the insurer to which the premiums were paid must add  
22 back to income the amount subtracted by the taxpayer  
23 pursuant to this subparagraph (GG). This subparagraph  
24 (GG) is exempt from the provisions of Section 250; ~~and~~

25 (HH) For taxable years beginning on or after  
26 January 1, 2018 and prior to January 1, 2023, a maximum

1 of \$10,000 contributed in the taxable year to a  
2 qualified ABLE account under Section 16.6 of the State  
3 Treasurer Act, except that amounts excluded from gross  
4 income under Section 529(c)(3)(C)(i) or Section  
5 529A(c)(1)(C) of the Internal Revenue Code shall not be  
6 considered moneys contributed under this subparagraph  
7 (HH). For purposes of this subparagraph (HH),  
8 contributions made by an employer on behalf of an  
9 employee, or matching contributions made by an  
10 employee, shall be treated as made by the employee; and

11 -

12 (II) For taxable years beginning on or after  
13 January 1, 2020, the full amount of union dues paid by  
14 the taxpayer during the taxable year if the taxpayer  
15 was not allowed a federal deduction by operation of  
16 Section 67 of the Internal Revenue Code; if any amount  
17 of union dues representing federal miscellaneous  
18 itemized deductions was allowed, then the amount  
19 allowed as a deduction under this subparagraph (II)  
20 shall be a percentage of the union dues disallowed by  
21 the operation of Section 67 of the Internal Revenue  
22 Code computed as follows: by multiplying the total  
23 union dues paid by the taxpayer during the taxable year  
24 by a percentage determined by subtracting from one a  
25 fraction where the numerator is the amount of federal  
26 miscellaneous deductions allowed and the denominator

1       is the aggregate federal miscellaneous itemized  
2       deductions before application of the 2% floor under  
3       Section 67 of the Internal Revenue Code. For the  
4       purposes of this subparagraph (II), union dues are  
5       those amounts that are deductible as union dues and  
6       agency shop fees under Section 162 of the Internal  
7       Revenue Code. This subparagraph (II) is exempt from the  
8       provisions of Section 250.

9       (b) Corporations.

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

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

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

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

24               (C) In the case of a regulated investment company,  
25               an amount equal to the excess of (i) the net long-term

1 capital gain for the taxable year, over (ii) the amount  
2 of the capital gain dividends designated as such in  
3 accordance with Section 852(b)(3)(C) of the Internal  
4 Revenue Code and any amount designated under Section  
5 852(b)(3)(D) of the Internal Revenue Code,  
6 attributable to the taxable year (this amendatory Act  
7 of 1995 (Public Act 89-89) is declarative of existing  
8 law and is not a new enactment);

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

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

23 (i) the addition modification relating to the  
24 net operating loss carried back or forward to the  
25 taxable year from any taxable year ending prior to  
26 December 31, 1986 shall be reduced by the amount of



1 addition modification under this subparagraph (E)  
2 which related to that net operating loss and which  
3 was taken into account in calculating the base  
4 income of an earlier taxable year, and

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

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

17 (E-5) For taxable years ending after December 31,  
18 1997, an amount equal to any eligible remediation costs  
19 that the corporation deducted in computing adjusted  
20 gross income and for which the corporation claims a  
21 credit under subsection (l) of Section 201;

22 (E-10) For taxable years 2001 and thereafter, an  
23 amount equal to the bonus depreciation deduction taken  
24 on the taxpayer's federal income tax return for the  
25 taxable year under subsection (k) of Section 168 of the  
26 Internal Revenue Code;

1 (E-11) If the taxpayer sells, transfers, abandons,  
2 or otherwise disposes of property for which the  
3 taxpayer was required in any taxable year to make an  
4 addition modification under subparagraph (E-10), then  
5 an amount equal to the aggregate amount of the  
6 deductions taken in all taxable years under  
7 subparagraph (T) with respect to that property.

8 If the taxpayer continues to own property through  
9 the last day of the last tax year for which the  
10 taxpayer may claim a depreciation deduction for  
11 federal income tax purposes and for which the taxpayer  
12 was allowed in any taxable year to make a subtraction  
13 modification under subparagraph (T), then an amount  
14 equal to that subtraction modification.

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

18 (E-12) An amount equal to the amount otherwise  
19 allowed as a deduction in computing base income for  
20 interest paid, accrued, or incurred, directly or  
21 indirectly, (i) for taxable years ending on or after  
22 December 31, 2004, to a foreign person who would be a  
23 member of the same unitary business group but for the  
24 fact the foreign person's business activity outside  
25 the United States is 80% or more of the foreign  
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person  
2 who would be a member of the same unitary business  
3 group but for the fact that the person is prohibited  
4 under Section 1501(a)(27) from being included in the  
5 unitary business group because he or she is ordinarily  
6 required to apportion business income under different  
7 subsections of Section 304. The addition modification  
8 required by this subparagraph shall be reduced to the  
9 extent that dividends were included in base income of  
10 the unitary group for the same taxable year and  
11 received by the taxpayer or by a member of the  
12 taxpayer's unitary business group (including amounts  
13 included in gross income pursuant to Sections 951  
14 through 964 of the Internal Revenue Code and amounts  
15 included in gross income under Section 78 of the  
16 Internal Revenue Code) with respect to the stock of the  
17 same person to whom the interest was paid, accrued, or  
18 incurred.

19 This paragraph shall not apply to the following:

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

26 (ii) an item of interest paid, accrued, or

1 incurred, directly or indirectly, to a person if  
2 the taxpayer can establish, based on a  
3 preponderance of the evidence, both of the  
4 following:

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

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

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

21 (iv) an item of interest paid, accrued, or  
22 incurred, directly or indirectly, to a person if  
23 the taxpayer establishes by clear and convincing  
24 evidence that the adjustments are unreasonable; or  
25 if the taxpayer and the Director agree in writing  
26 to the application or use of an alternative method

1 of apportionment under Section 304(f).

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

11 (E-13) An amount equal to the amount of intangible  
12 expenses and costs otherwise allowed as a deduction in  
13 computing base income, and that were paid, accrued, or  
14 incurred, directly or indirectly, (i) for taxable  
15 years ending on or after December 31, 2004, to a  
16 foreign person who would be a member of the same  
17 unitary business group but for the fact that the  
18 foreign person's business activity outside the United  
19 States is 80% or more of that person's total business  
20 activity and (ii) for taxable years ending on or after  
21 December 31, 2008, to a person who would be a member of  
22 the same unitary business group but for the fact that  
23 the person is prohibited under Section 1501(a)(27)  
24 from being included in the unitary business group  
25 because he or she is ordinarily required to apportion  
26 business income under different subsections of Section

1           304. The addition modification required by this  
2           subparagraph shall be reduced to the extent that  
3           dividends were included in base income of the unitary  
4           group for the same taxable year and received by the  
5           taxpayer or by a member of the taxpayer's unitary  
6           business group (including amounts included in gross  
7           income pursuant to Sections 951 through 964 of the  
8           Internal Revenue Code and amounts included in gross  
9           income under Section 78 of the Internal Revenue Code)  
10          with respect to the stock of the same person to whom  
11          the intangible expenses and costs were directly or  
12          indirectly paid, incurred, or accrued. The preceding  
13          sentence shall not apply to the extent that the same  
14          dividends caused a reduction to the addition  
15          modification required under Section 203(b)(2)(E-12) of  
16          this Act. As used in this subparagraph, the term  
17          "intangible expenses and costs" includes (1) expenses,  
18          losses, and costs for, or related to, the direct or  
19          indirect acquisition, use, maintenance or management,  
20          ownership, sale, exchange, or any other disposition of  
21          intangible property; (2) losses incurred, directly or  
22          indirectly, from factoring transactions or discounting  
23          transactions; (3) royalty, patent, technical, and  
24          copyright fees; (4) licensing fees; and (5) other  
25          similar expenses and costs. For purposes of this  
26          subparagraph, "intangible property" includes patents,

1 patent applications, trade names, trademarks, service  
2 marks, copyrights, mask works, trade secrets, and  
3 similar types of intangible assets.

4 This paragraph shall not apply to the following:

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

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

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

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

1                   or

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

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

19                   (E-14) For taxable years ending on or after  
20                   December 31, 2008, an amount equal to the amount of  
21                   insurance premium expenses and costs otherwise allowed  
22                   as a deduction in computing base income, and that were  
23                   paid, accrued, or incurred, directly or indirectly, to  
24                   a person who would be a member of the same unitary  
25                   business group but for the fact that the person is  
26                   prohibited under Section 1501(a)(27) from being



1 included in the unitary business group because he or  
2 she is ordinarily required to apportion business  
3 income under different subsections of Section 304. The  
4 addition modification required by this subparagraph  
5 shall be reduced to the extent that dividends were  
6 included in base income of the unitary group for the  
7 same taxable year and received by the taxpayer or by a  
8 member of the taxpayer's unitary business group  
9 (including amounts included in gross income under  
10 Sections 951 through 964 of the Internal Revenue Code  
11 and amounts included in gross income under Section 78  
12 of the Internal Revenue Code) with respect to the stock  
13 of the same person to whom the premiums and costs were  
14 directly or indirectly paid, incurred, or accrued. The  
15 preceding sentence does not apply to the extent that  
16 the same dividends caused a reduction to the addition  
17 modification required under Section 203(b)(2)(E-12) or  
18 Section 203(b)(2)(E-13) of this Act;

19 (E-15) For taxable years beginning after December  
20 31, 2008, any deduction for dividends paid by a captive  
21 real estate investment trust that is allowed to a real  
22 estate investment trust under Section 857(b)(2)(B) of  
23 the Internal Revenue Code for dividends paid;

24 (E-16) An amount equal to the credit allowable to  
25 the taxpayer under Section 218(a) of this Act,  
26 determined without regard to Section 218(c) of this

1 Act;

2 (E-17) For taxable years ending on or after  
3 December 31, 2017, an amount equal to the deduction  
4 allowed under Section 199 of the Internal Revenue Code  
5 for the taxable year;

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

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

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

13 (H) In the case of a regulated investment company,  
14 an amount equal to the amount of exempt interest  
15 dividends as defined in subsection (b)(5) of Section  
16 852 of the Internal Revenue Code, paid to shareholders  
17 for the taxable year;

18 (I) With the exception of any amounts subtracted  
19 under subparagraph (J), an amount equal to the sum of  
20 all amounts disallowed as deductions by (i) Sections  
21 171(a)(2), and 265(a)(2) and amounts disallowed as  
22 interest expense by Section 291(a)(3) of the Internal  
23 Revenue Code, and all amounts of expenses allocable to  
24 interest and disallowed as deductions by Section  
25 265(a)(1) of the Internal Revenue Code; and (ii) for  
26 taxable years ending on or after August 13, 1999,

1 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
2 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
3 for tax years ending on or after December 31, 2011,  
4 amounts disallowed as deductions by Section 45G(e)(3)  
5 of the Internal Revenue Code and, for taxable years  
6 ending on or after December 31, 2008, any amount  
7 included in gross income under Section 87 of the  
8 Internal Revenue Code and the policyholders' share of  
9 tax-exempt interest of a life insurance company under  
10 Section 807(a)(2)(B) of the Internal Revenue Code (in  
11 the case of a life insurance company with gross income  
12 from a decrease in reserves for the tax year) or  
13 Section 807(b)(1)(B) of the Internal Revenue Code (in  
14 the case of a life insurance company allowed a  
15 deduction for an increase in reserves for the tax  
16 year); the provisions of this subparagraph are exempt  
17 from the provisions of Section 250;

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

1           (K) An amount equal to those dividends included in  
2 such total which were paid by a corporation which  
3 conducts business operations in a River Edge  
4 Redevelopment Zone or zones created under the River  
5 Edge Redevelopment Zone Act and conducts substantially  
6 all of its operations in a River Edge Redevelopment  
7 Zone or zones. This subparagraph (K) is exempt from the  
8 provisions of Section 250;

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

18           (M) For any taxpayer that is a financial  
19 organization within the meaning of Section 304(c) of  
20 this Act, an amount included in such total as interest  
21 income from a loan or loans made by such taxpayer to a  
22 borrower, to the extent that such a loan is secured by  
23 property which is eligible for the River Edge  
24 Redevelopment Zone Investment Credit. To determine the  
25 portion of a loan or loans that is secured by property  
26 eligible for a Section 201(f) investment credit to the

1 borrower, the entire principal amount of the loan or  
2 loans between the taxpayer and the borrower should be  
3 divided into the basis of the Section 201(f) investment  
4 credit property which secures the loan or loans, using  
5 for this purpose the original basis of such property on  
6 the date that it was placed in service in the River  
7 Edge Redevelopment Zone. The subtraction modification  
8 available to the taxpayer in any year under this  
9 subsection shall be that portion of the total interest  
10 paid by the borrower with respect to such loan  
11 attributable to the eligible property as calculated  
12 under the previous sentence. This subparagraph (M) is  
13 exempt from the provisions of Section 250;

14 (M-1) For any taxpayer that is a financial  
15 organization within the meaning of Section 304(c) of  
16 this Act, an amount included in such total as interest  
17 income from a loan or loans made by such taxpayer to a  
18 borrower, to the extent that such a loan is secured by  
19 property which is eligible for the High Impact Business  
20 Investment Credit. To determine the portion of a loan  
21 or loans that is secured by property eligible for a  
22 Section 201(h) investment credit to the borrower, the  
23 entire principal amount of the loan or loans between  
24 the taxpayer and the borrower should be divided into  
25 the basis of the Section 201(h) investment credit  
26 property which secures the loan or loans, using for

1           this purpose the original basis of such property on the  
2           date that it was placed in service in a federally  
3           designated Foreign Trade Zone or Sub-Zone located in  
4           Illinois. No taxpayer that is eligible for the  
5           deduction provided in subparagraph (M) of paragraph  
6           (2) of this subsection shall be eligible for the  
7           deduction provided under this subparagraph (M-1). The  
8           subtraction modification available to taxpayers in any  
9           year under this subsection shall be that portion of the  
10          total interest paid by the borrower with respect to  
11          such loan attributable to the eligible property as  
12          calculated under the previous sentence;

13                 (N) Two times any contribution made during the  
14                 taxable year to a designated zone organization to the  
15                 extent that the contribution (i) qualifies as a  
16                 charitable contribution under subsection (c) of  
17                 Section 170 of the Internal Revenue Code and (ii) must,  
18                 by its terms, be used for a project approved by the  
19                 Department of Commerce and Economic Opportunity under  
20                 Section 11 of the Illinois Enterprise Zone Act or under  
21                 Section 10-10 of the River Edge Redevelopment Zone Act.  
22                 This subparagraph (N) is exempt from the provisions of  
23                 Section 250;

24                 (O) An amount equal to: (i) 85% for taxable years  
25                 ending on or before December 31, 1992, or, a percentage  
26                 equal to the percentage allowable under Section

1 243(a)(1) of the Internal Revenue Code of 1986 for  
2 taxable years ending after December 31, 1992, of the  
3 amount by which dividends included in taxable income  
4 and received from a corporation that is not created or  
5 organized under the laws of the United States or any  
6 state or political subdivision thereof, including, for  
7 taxable years ending on or after December 31, 1988,  
8 dividends received or deemed received or paid or deemed  
9 paid under Sections 951 through 965 of the Internal  
10 Revenue Code, exceed the amount of the modification  
11 provided under subparagraph (G) of paragraph (2) of  
12 this subsection (b) which is related to such dividends,  
13 and including, for taxable years ending on or after  
14 December 31, 2008, dividends received from a captive  
15 real estate investment trust; plus (ii) 100% of the  
16 amount by which dividends, included in taxable income  
17 and received, including, for taxable years ending on or  
18 after December 31, 1988, dividends received or deemed  
19 received or paid or deemed paid under Sections 951  
20 through 964 of the Internal Revenue Code and including,  
21 for taxable years ending on or after December 31, 2008,  
22 dividends received from a captive real estate  
23 investment trust, from any such corporation specified  
24 in clause (i) that would but for the provisions of  
25 Section 1504(b)(3) of the Internal Revenue Code be  
26 treated as a member of the affiliated group which

1 includes the dividend recipient, exceed the amount of  
2 the modification provided under subparagraph (G) of  
3 paragraph (2) of this subsection (b) which is related  
4 to such dividends. This subparagraph (O) is exempt from  
5 the provisions of Section 250 of this Act;

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

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

14 (R) On and after July 20, 1999, in the case of an  
15 attorney-in-fact with respect to whom an interinsurer  
16 or a reciprocal insurer has made the election under  
17 Section 835 of the Internal Revenue Code, 26 U.S.C.  
18 835, an amount equal to the excess, if any, of the  
19 amounts paid or incurred by that interinsurer or  
20 reciprocal insurer in the taxable year to the  
21 attorney-in-fact over the deduction allowed to that  
22 interinsurer or reciprocal insurer with respect to the  
23 attorney-in-fact under Section 835(b) of the Internal  
24 Revenue Code for the taxable year; the provisions of  
25 this subparagraph are exempt from the provisions of  
26 Section 250;



1           (S) For taxable years ending on or after December  
2           31, 1997, in the case of a Subchapter S corporation, an  
3           amount equal to all amounts of income allocable to a  
4           shareholder subject to the Personal Property Tax  
5           Replacement Income Tax imposed by subsections (c) and  
6           (d) of Section 201 of this Act, including amounts  
7           allocable to organizations exempt from federal income  
8           tax by reason of Section 501(a) of the Internal Revenue  
9           Code. This subparagraph (S) is exempt from the  
10          provisions of Section 250;

11          (T) For taxable years 2001 and thereafter, for the  
12          taxable year in which the bonus depreciation deduction  
13          is taken on the taxpayer's federal income tax return  
14          under subsection (k) of Section 168 of the Internal  
15          Revenue Code and for each applicable taxable year  
16          thereafter, an amount equal to "x", where:

17               (1) "y" equals the amount of the depreciation  
18               deduction taken for the taxable year on the  
19               taxpayer's federal income tax return on property  
20               for which the bonus depreciation deduction was  
21               taken in any year under subsection (k) of Section  
22               168 of the Internal Revenue Code, but not including  
23               the bonus depreciation deduction;

24               (2) for taxable years ending on or before  
25               December 31, 2005, "x" equals "y" multiplied by 30  
26               and then divided by 70 (or "y" multiplied by

1           0.429); and

2                   (3) for taxable years ending after December  
3           31, 2005:

4                   (i) for property on which a bonus  
5                   depreciation deduction of 30% of the adjusted  
6                   basis was taken, "x" equals "y" multiplied by  
7                   30 and then divided by 70 (or "y" multiplied by  
8                   0.429); and

9                   (ii) for property on which a bonus  
10                  depreciation deduction of 50% of the adjusted  
11                  basis was taken, "x" equals "y" multiplied by  
12                  1.0.

13                 The aggregate amount deducted under this  
14                 subparagraph in all taxable years for any one piece of  
15                 property may not exceed the amount of the bonus  
16                 depreciation deduction taken on that property on the  
17                 taxpayer's federal income tax return under subsection  
18                 (k) of Section 168 of the Internal Revenue Code. This  
19                 subparagraph (T) is exempt from the provisions of  
20                 Section 250;

21                 (U) If the taxpayer sells, transfers, abandons, or  
22                 otherwise disposes of property for which the taxpayer  
23                 was required in any taxable year to make an addition  
24                 modification under subparagraph (E-10), then an amount  
25                 equal to that addition modification.

26                 If the taxpayer continues to own property through

1 the last day of the last tax year for which the  
2 taxpayer may claim a depreciation deduction for  
3 federal income tax purposes and for which the taxpayer  
4 was required in any taxable year to make an addition  
5 modification under subparagraph (E-10), then an amount  
6 equal to that addition modification.

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

10 This subparagraph (U) is exempt from the  
11 provisions of Section 250;

12 (V) The amount of: (i) any interest income (net of  
13 the deductions allocable thereto) taken into account  
14 for the taxable year with respect to a transaction with  
15 a taxpayer that is required to make an addition  
16 modification with respect to such transaction under  
17 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
18 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
19 the amount of such addition modification, (ii) any  
20 income from intangible property (net of the deductions  
21 allocable thereto) taken into account for the taxable  
22 year with respect to a transaction with a taxpayer that  
23 is required to make an addition modification with  
24 respect to such transaction under Section  
25 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
26 203(d)(2)(D-8), but not to exceed the amount of such

1 addition modification, and (iii) any insurance premium  
2 income (net of deductions allocable thereto) taken  
3 into account for the taxable year with respect to a  
4 transaction with a taxpayer that is required to make an  
5 addition modification with respect to such transaction  
6 under Section 203(a)(2)(D-19), Section  
7 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
8 203(d)(2)(D-9), but not to exceed the amount of that  
9 addition modification. This subparagraph (V) is exempt  
10 from the provisions of Section 250;

11 (W) An amount equal to the interest income taken  
12 into account for the taxable year (net of the  
13 deductions allocable thereto) with respect to  
14 transactions with (i) a foreign person who would be a  
15 member of the taxpayer's unitary business group but for  
16 the fact that the foreign person's business activity  
17 outside the United States is 80% or more of that  
18 person's total business activity and (ii) for taxable  
19 years ending on or after December 31, 2008, to a person  
20 who would be a member of the same unitary business  
21 group but for the fact that the person is prohibited  
22 under Section 1501(a)(27) from being included in the  
23 unitary business group because he or she is ordinarily  
24 required to apportion business income under different  
25 subsections of Section 304, but not to exceed the  
26 addition modification required to be made for the same

1 taxable year under Section 203(b)(2)(E-12) for  
2 interest paid, accrued, or incurred, directly or  
3 indirectly, to the same person. This subparagraph (W)  
4 is exempt from the provisions of Section 250;

5 (X) An amount equal to the income from intangible  
6 property taken into account for the taxable year (net  
7 of the deductions allocable thereto) with respect to  
8 transactions with (i) a foreign person who would be a  
9 member of the taxpayer's unitary business group but for  
10 the fact that the foreign person's business activity  
11 outside the United States is 80% or more of that  
12 person's total business activity and (ii) for taxable  
13 years ending on or after December 31, 2008, to a person  
14 who would be a member of the same unitary business  
15 group but for the fact that the person is prohibited  
16 under Section 1501(a)(27) from being included in the  
17 unitary business group because he or she is ordinarily  
18 required to apportion business income under different  
19 subsections of Section 304, but not to exceed the  
20 addition modification required to be made for the same  
21 taxable year under Section 203(b)(2)(E-13) for  
22 intangible expenses and costs paid, accrued, or  
23 incurred, directly or indirectly, to the same foreign  
24 person. This subparagraph (X) is exempt from the  
25 provisions of Section 250;

26 (Y) For taxable years ending on or after December

1 31, 2011, in the case of a taxpayer who was required to  
2 add back any insurance premiums under Section  
3 203(b)(2)(E-14), such taxpayer may elect to subtract  
4 that part of a reimbursement received from the  
5 insurance company equal to the amount of the expense or  
6 loss (including expenses incurred by the insurance  
7 company) that would have been taken into account as a  
8 deduction for federal income tax purposes if the  
9 expense or loss had been uninsured. If a taxpayer makes  
10 the election provided for by this subparagraph (Y), the  
11 insurer to which the premiums were paid must add back  
12 to income the amount subtracted by the taxpayer  
13 pursuant to this subparagraph (Y). This subparagraph  
14 (Y) is exempt from the provisions of Section 250; and

15 (Z) The difference between the nondeductible  
16 controlled foreign corporation dividends under Section  
17 965(e)(3) of the Internal Revenue Code over the taxable  
18 income of the taxpayer, computed without regard to  
19 Section 965(e)(2)(A) of the Internal Revenue Code, and  
20 without regard to any net operating loss deduction.  
21 This subparagraph (Z) is exempt from the provisions of  
22 Section 250.

23 (3) Special rule. For purposes of paragraph (2)(A),  
24 "gross income" in the case of a life insurance company, for  
25 tax years ending on and after December 31, 1994, and prior  
26 to December 31, 2011, shall mean the gross investment

1 income for the taxable year and, for tax years ending on or  
2 after December 31, 2011, shall mean all amounts included in  
3 life insurance gross income under Section 803(a)(3) of the  
4 Internal Revenue Code.

5 (c) Trusts and estates.

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

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

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

17 (B) In the case of (i) an estate, \$600; (ii) a  
18 trust which, under its governing instrument, is  
19 required to distribute all of its income currently,  
20 \$300; and (iii) any other trust, \$100, but in each such  
21 case, only to the extent such amount was deducted in  
22 the computation of taxable income;

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

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

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

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

23           (ii) the addition modification relating to the  
24 net operating loss carried back or forward to the  
25 taxable year from any taxable year ending prior to  
26 December 31, 1986 shall not exceed the amount of



1           such carryback or carryforward;

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

9           (F) For taxable years ending on or after January 1,  
10          1989, an amount equal to the tax deducted pursuant to  
11          Section 164 of the Internal Revenue Code if the trust  
12          or estate is claiming the same tax for purposes of the  
13          Illinois foreign tax credit under Section 601 of this  
14          Act;

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

19          (G-5) For taxable years ending after December 31,  
20          1997, an amount equal to any eligible remediation costs  
21          that the trust or estate deducted in computing adjusted  
22          gross income and for which the trust or estate claims a  
23          credit under subsection (1) of Section 201;

24          (G-10) For taxable years 2001 and thereafter, an  
25          amount equal to the bonus depreciation deduction taken  
26          on the taxpayer's federal income tax return for the

1 taxable year under subsection (k) of Section 168 of the  
2 Internal Revenue Code; and

3 (G-11) If the taxpayer sells, transfers, abandons,  
4 or otherwise disposes of property for which the  
5 taxpayer was required in any taxable year to make an  
6 addition modification under subparagraph (G-10), then  
7 an amount equal to the aggregate amount of the  
8 deductions taken in all taxable years under  
9 subparagraph (R) with respect to that property.

10 If the taxpayer continues to own property through  
11 the last day of the last tax year for which the  
12 taxpayer may claim a depreciation deduction for  
13 federal income tax purposes and for which the taxpayer  
14 was allowed in any taxable year to make a subtraction  
15 modification under subparagraph (R), then an amount  
16 equal to that subtraction modification.

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

20 (G-12) An amount equal to the amount otherwise  
21 allowed as a deduction in computing base income for  
22 interest paid, accrued, or incurred, directly or  
23 indirectly, (i) for taxable years ending on or after  
24 December 31, 2004, to a foreign person who would be a  
25 member of the same unitary business group but for the  
26 fact that the foreign person's business activity

1 outside the United States is 80% or more of the foreign  
2 person's total business activity and (ii) for taxable  
3 years ending on or after December 31, 2008, to a person  
4 who would be a member of the same unitary business  
5 group but for the fact that the person is prohibited  
6 under Section 1501(a)(27) from being included in the  
7 unitary business group because he or she is ordinarily  
8 required to apportion business income under different  
9 subsections of Section 304. The addition modification  
10 required by this subparagraph shall be reduced to the  
11 extent that dividends were included in base income of  
12 the unitary group for the same taxable year and  
13 received by the taxpayer or by a member of the  
14 taxpayer's unitary business group (including amounts  
15 included in gross income pursuant to Sections 951  
16 through 964 of the Internal Revenue Code and amounts  
17 included in gross income under Section 78 of the  
18 Internal Revenue Code) with respect to the stock of the  
19 same person to whom the interest was paid, accrued, or  
20 incurred.

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

23 (iv) an item of interest paid, accrued, or  
24 incurred, directly or indirectly, to a person if  
25 the taxpayer establishes by clear and convincing  
26 evidence that the adjustments are unreasonable; or

1 if the taxpayer and the Director agree in writing  
2 to the application or use of an alternative method  
3 of apportionment under Section 304(f).

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

13 (G-13) An amount equal to the amount of intangible  
14 expenses and costs otherwise allowed as a deduction in  
15 computing base income, and that were paid, accrued, or  
16 incurred, directly or indirectly, (i) for taxable  
17 years ending on or after December 31, 2004, to a  
18 foreign person who would be a member of the same  
19 unitary business group but for the fact that the  
20 foreign person's business activity outside the United  
21 States is 80% or more of that person's total business  
22 activity and (ii) for taxable years ending on or after  
23 December 31, 2008, to a person who would be a member of  
24 the same unitary business group but for the fact that  
25 the person is prohibited under Section 1501(a)(27)  
26 from being included in the unitary business group

1 because he or she is ordinarily required to apportion  
2 business income under different subsections of Section  
3 304. The addition modification required by this  
4 subparagraph shall be reduced to the extent that  
5 dividends were included in base income of the unitary  
6 group for the same taxable year and received by the  
7 taxpayer or by a member of the taxpayer's unitary  
8 business group (including amounts included in gross  
9 income pursuant to Sections 951 through 964 of the  
10 Internal Revenue Code and amounts included in gross  
11 income under Section 78 of the Internal Revenue Code)  
12 with respect to the stock of the same person to whom  
13 the intangible expenses and costs were directly or  
14 indirectly paid, incurred, or accrued. The preceding  
15 sentence shall not apply to the extent that the same  
16 dividends caused a reduction to the addition  
17 modification required under Section 203(c)(2)(G-12) of  
18 this Act. As used in this subparagraph, the term  
19 "intangible expenses and costs" includes: (1)  
20 expenses, losses, and costs for or related to the  
21 direct or indirect acquisition, use, maintenance or  
22 management, ownership, sale, exchange, or any other  
23 disposition of intangible property; (2) losses  
24 incurred, directly or indirectly, from factoring  
25 transactions or discounting transactions; (3) royalty,  
26 patent, technical, and copyright fees; (4) licensing

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

6 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the  
24 intangible expense or cost between the  
25 taxpayer and the person did not have as a  
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract  
2 or agreement that reflects arm's-length terms;  
3 or

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

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

21 (G-14) For taxable years ending on or after  
22 December 31, 2008, an amount equal to the amount of  
23 insurance premium expenses and costs otherwise allowed  
24 as a deduction in computing base income, and that were  
25 paid, accrued, or incurred, directly or indirectly, to  
26 a person who would be a member of the same unitary



1 business group but for the fact that the person is  
2 prohibited under Section 1501(a)(27) from being  
3 included in the unitary business group because he or  
4 she is ordinarily required to apportion business  
5 income under different subsections of Section 304. The  
6 addition modification required by this subparagraph  
7 shall be reduced to the extent that dividends were  
8 included in base income of the unitary group for the  
9 same taxable year and received by the taxpayer or by a  
10 member of the taxpayer's unitary business group  
11 (including amounts included in gross income under  
12 Sections 951 through 964 of the Internal Revenue Code  
13 and amounts included in gross income under Section 78  
14 of the Internal Revenue Code) with respect to the stock  
15 of the same person to whom the premiums and costs were  
16 directly or indirectly paid, incurred, or accrued. The  
17 preceding sentence does not apply to the extent that  
18 the same dividends caused a reduction to the addition  
19 modification required under Section 203(c)(2)(G-12) or  
20 Section 203(c)(2)(G-13) of this Act;

21 (G-15) An amount equal to the credit allowable to  
22 the taxpayer under Section 218(a) of this Act,  
23 determined without regard to Section 218(c) of this  
24 Act;

25 (G-16) For taxable years ending on or after  
26 December 31, 2017, an amount equal to the deduction

1           allowed under Section 199 of the Internal Revenue Code  
2           for the taxable year;  
3           and by deducting from the total so obtained the sum of the  
4           following amounts:

5                   (H) An amount equal to all amounts included in such  
6                   total pursuant to the provisions of Sections 402(a),  
7                   402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
8                   Internal Revenue Code or included in such total as  
9                   distributions under the provisions of any retirement  
10                   or disability plan for employees of any governmental  
11                   agency or unit, or retirement payments to retired  
12                   partners, which payments are excluded in computing net  
13                   earnings from self employment by Section 1402 of the  
14                   Internal Revenue Code and regulations adopted pursuant  
15                   thereto;

16                   (I) The valuation limitation amount;

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

20                   (K) An amount equal to all amounts included in  
21                   taxable income as modified by subparagraphs (A), (B),  
22                   (C), (D), (E), (F) and (G) which are exempt from  
23                   taxation by this State either by reason of its statutes  
24                   or Constitution or by reason of the Constitution,  
25                   treaties or statutes of the United States; provided  
26                   that, in the case of any statute of this State that

1 exempts income derived from bonds or other obligations  
2 from the tax imposed under this Act, the amount  
3 exempted shall be the interest net of bond premium  
4 amortization;

5 (L) With the exception of any amounts subtracted  
6 under subparagraph (K), an amount equal to the sum of  
7 all amounts disallowed as deductions by (i) Sections  
8 171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
9 and all amounts of expenses allocable to interest and  
10 disallowed as deductions by Section 265(a)(1) ~~265(1)~~  
11 of the Internal Revenue Code; and (ii) for taxable  
12 years ending on or after August 13, 1999, Sections  
13 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
14 Internal Revenue Code, plus, (iii) for taxable years  
15 ending on or after December 31, 2011, Section 45G(e)(3)  
16 of the Internal Revenue Code and, for taxable years  
17 ending on or after December 31, 2008, any amount  
18 included in gross income under Section 87 of the  
19 Internal Revenue Code; the provisions of this  
20 subparagraph are exempt from the provisions of Section  
21 250;

22 (M) An amount equal to those dividends included in  
23 such total which were paid by a corporation which  
24 conducts business operations in a River Edge  
25 Redevelopment Zone or zones created under the River  
26 Edge Redevelopment Zone Act and conducts substantially

1 all of its operations in a River Edge Redevelopment  
2 Zone or zones. This subparagraph (M) is exempt from the  
3 provisions of Section 250;

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

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

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

21 (Q) For taxable year 1999 and thereafter, an amount  
22 equal to the amount of any (i) distributions, to the  
23 extent includible in gross income for federal income  
24 tax purposes, made to the taxpayer because of his or  
25 her status as a victim of persecution for racial or  
26 religious reasons by Nazi Germany or any other Axis

1 regime or as an heir of the victim and (ii) items of  
2 income, to the extent includible in gross income for  
3 federal income tax purposes, attributable to, derived  
4 from or in any way related to assets stolen from,  
5 hidden from, or otherwise lost to a victim of  
6 persecution for racial or religious reasons by Nazi  
7 Germany or any other Axis regime immediately prior to,  
8 during, and immediately after World War II, including,  
9 but not limited to, interest on the proceeds receivable  
10 as insurance under policies issued to a victim of  
11 persecution for racial or religious reasons by Nazi  
12 Germany or any other Axis regime by European insurance  
13 companies immediately prior to and during World War II;  
14 provided, however, this subtraction from federal  
15 adjusted gross income does not apply to assets acquired  
16 with such assets or with the proceeds from the sale of  
17 such assets; provided, further, this paragraph shall  
18 only apply to a taxpayer who was the first recipient of  
19 such assets after their recovery and who is a victim of  
20 persecution for racial or religious reasons by Nazi  
21 Germany or any other Axis regime or as an heir of the  
22 victim. The amount of and the eligibility for any  
23 public assistance, benefit, or similar entitlement is  
24 not affected by the inclusion of items (i) and (ii) of  
25 this paragraph in gross income for federal income tax  
26 purposes. This paragraph is exempt from the provisions

1 of Section 250;

2 (R) For taxable years 2001 and thereafter, for the  
3 taxable year in which the bonus depreciation deduction  
4 is taken on the taxpayer's federal income tax return  
5 under subsection (k) of Section 168 of the Internal  
6 Revenue Code and for each applicable taxable year  
7 thereafter, an amount equal to "x", where:

8 (1) "y" equals the amount of the depreciation  
9 deduction taken for the taxable year on the  
10 taxpayer's federal income tax return on property  
11 for which the bonus depreciation deduction was  
12 taken in any year under subsection (k) of Section  
13 168 of the Internal Revenue Code, but not including  
14 the bonus depreciation deduction;

15 (2) for taxable years ending on or before  
16 December 31, 2005, "x" equals "y" multiplied by 30  
17 and then divided by 70 (or "y" multiplied by  
18 0.429); and

19 (3) for taxable years ending after December  
20 31, 2005:

21 (i) for property on which a bonus  
22 depreciation deduction of 30% of the adjusted  
23 basis was taken, "x" equals "y" multiplied by  
24 30 and then divided by 70 (or "y" multiplied by  
25 0.429); and

26 (ii) for property on which a bonus

1           depreciation deduction of 50% of the adjusted  
2           basis was taken, "x" equals "y" multiplied by  
3           1.0.

4           The aggregate amount deducted under this  
5           subparagraph in all taxable years for any one piece of  
6           property may not exceed the amount of the bonus  
7           depreciation deduction taken on that property on the  
8           taxpayer's federal income tax return under subsection  
9           (k) of Section 168 of the Internal Revenue Code. This  
10          subparagraph (R) is exempt from the provisions of  
11          Section 250;

12          (S) If the taxpayer sells, transfers, abandons, or  
13          otherwise disposes of property for which the taxpayer  
14          was required in any taxable year to make an addition  
15          modification under subparagraph (G-10), then an amount  
16          equal to that addition modification.

17          If the taxpayer continues to own property through  
18          the last day of the last tax year for which the  
19          taxpayer may claim a depreciation deduction for  
20          federal income tax purposes and for which the taxpayer  
21          was required in any taxable year to make an addition  
22          modification under subparagraph (G-10), then an amount  
23          equal to that addition modification.

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

1           This subparagraph (S) is exempt from the  
2 provisions of Section 250;

3           (T) The amount of (i) any interest income (net of  
4 the deductions allocable thereto) taken into account  
5 for the taxable year with respect to a transaction with  
6 a taxpayer that is required to make an addition  
7 modification with respect to such transaction under  
8 Section           203(a)(2)(D-17),           203(b)(2)(E-12),  
9 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
10 the amount of such addition modification and (ii) any  
11 income from intangible property (net of the deductions  
12 allocable thereto) taken into account for the taxable  
13 year with respect to a transaction with a taxpayer that  
14 is required to make an addition modification with  
15 respect to such transaction under Section  
16 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
17 203(d)(2)(D-8), but not to exceed the amount of such  
18 addition modification. This subparagraph (T) is exempt  
19 from the provisions of Section 250;

20           (U) An amount equal to the interest income taken  
21 into account for the taxable year (net of the  
22 deductions allocable thereto) with respect to  
23 transactions with (i) a foreign person who would be a  
24 member of the taxpayer's unitary business group but for  
25 the fact the foreign person's business activity  
26 outside the United States is 80% or more of that



1 person's total business activity and (ii) for taxable  
2 years ending on or after December 31, 2008, to a person  
3 who would be a member of the same unitary business  
4 group but for the fact that the person is prohibited  
5 under Section 1501(a)(27) from being included in the  
6 unitary business group because he or she is ordinarily  
7 required to apportion business income under different  
8 subsections of Section 304, but not to exceed the  
9 addition modification required to be made for the same  
10 taxable year under Section 203(c)(2)(G-12) for  
11 interest paid, accrued, or incurred, directly or  
12 indirectly, to the same person. This subparagraph (U)  
13 is exempt from the provisions of Section 250;

14 (V) An amount equal to the income from intangible  
15 property taken into account for the taxable year (net  
16 of the deductions allocable thereto) with respect to  
17 transactions with (i) a foreign person who would be a  
18 member of the taxpayer's unitary business group but for  
19 the fact that the foreign person's business activity  
20 outside the United States is 80% or more of that  
21 person's total business activity and (ii) for taxable  
22 years ending on or after December 31, 2008, to a person  
23 who would be a member of the same unitary business  
24 group but for the fact that the person is prohibited  
25 under Section 1501(a)(27) from being included in the  
26 unitary business group because he or she is ordinarily

1 required to apportion business income under different  
2 subsections of Section 304, but not to exceed the  
3 addition modification required to be made for the same  
4 taxable year under Section 203(c)(2)(G-13) for  
5 intangible expenses and costs paid, accrued, or  
6 incurred, directly or indirectly, to the same foreign  
7 person. This subparagraph (V) is exempt from the  
8 provisions of Section 250;

9 (W) in the case of an estate, an amount equal to  
10 all amounts included in such total pursuant to the  
11 provisions of Section 111 of the Internal Revenue Code  
12 as a recovery of items previously deducted by the  
13 decedent from adjusted gross income in the computation  
14 of taxable income. This subparagraph (W) is exempt from  
15 Section 250;

16 (X) an amount equal to the refund included in such  
17 total of any tax deducted for federal income tax  
18 purposes, to the extent that deduction was added back  
19 under subparagraph (F). This subparagraph (X) is  
20 exempt from the provisions of Section 250; and

21 (Y) For taxable years ending on or after December  
22 31, 2011, in the case of a taxpayer who was required to  
23 add back any insurance premiums under Section  
24 203(c)(2)(G-14), such taxpayer may elect to subtract  
25 that part of a reimbursement received from the  
26 insurance company equal to the amount of the expense or

1           loss (including expenses incurred by the insurance  
2           company) that would have been taken into account as a  
3           deduction for federal income tax purposes if the  
4           expense or loss had been uninsured. If a taxpayer makes  
5           the election provided for by this subparagraph (Y), the  
6           insurer to which the premiums were paid must add back  
7           to income the amount subtracted by the taxpayer  
8           pursuant to this subparagraph (Y). This subparagraph  
9           (Y) is exempt from the provisions of Section 250.

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

17           (d) Partnerships.

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

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

24           (A) An amount equal to all amounts paid or accrued  
25           to the taxpayer as interest or dividends during the

1 taxable year to the extent excluded from gross income  
2 in the computation of taxable income;

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

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

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

13 (D-5) For taxable years 2001 and thereafter, an  
14 amount equal to the bonus depreciation deduction taken  
15 on the taxpayer's federal income tax return for the  
16 taxable year under subsection (k) of Section 168 of the  
17 Internal Revenue Code;

18 (D-6) If the taxpayer sells, transfers, abandons,  
19 or otherwise disposes of property for which the  
20 taxpayer was required in any taxable year to make an  
21 addition modification under subparagraph (D-5), then  
22 an amount equal to the aggregate amount of the  
23 deductions taken in all taxable years under  
24 subparagraph (D) with respect to that property.

25 If the taxpayer continues to own property through  
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for  
2 federal income tax purposes and for which the taxpayer  
3 was allowed in any taxable year to make a subtraction  
4 modification under subparagraph (O), then an amount  
5 equal to that subtraction modification.

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

9 (D-7) An amount equal to the amount otherwise  
10 allowed as a deduction in computing base income for  
11 interest paid, accrued, or incurred, directly or  
12 indirectly, (i) for taxable years ending on or after  
13 December 31, 2004, to a foreign person who would be a  
14 member of the same unitary business group but for the  
15 fact the foreign person's business activity outside  
16 the United States is 80% or more of the foreign  
17 person's total business activity and (ii) for taxable  
18 years ending on or after December 31, 2008, to a person  
19 who would be a member of the same unitary business  
20 group but for the fact that the person is prohibited  
21 under Section 1501(a)(27) from being included in the  
22 unitary business group because he or she is ordinarily  
23 required to apportion business income under different  
24 subsections of Section 304. The addition modification  
25 required by this subparagraph shall be reduced to the  
26 extent that dividends were included in base income of

1 the unitary group for the same taxable year and  
2 received by the taxpayer or by a member of the  
3 taxpayer's unitary business group (including amounts  
4 included in gross income pursuant to Sections 951  
5 through 964 of the Internal Revenue Code and amounts  
6 included in gross income under Section 78 of the  
7 Internal Revenue Code) with respect to the stock of the  
8 same person to whom the interest was paid, accrued, or  
9 incurred.

10 This paragraph shall not apply to the following:

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

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

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

25 (b) the transaction giving rise to the  
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the  
2 avoidance of Illinois income tax, and is paid  
3 pursuant to a contract or agreement that  
4 reflects an arm's-length interest rate and  
5 terms; or

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

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

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

1 under Section 404 of this Act; and

2 (D-8) An amount equal to the amount of intangible  
3 expenses and costs otherwise allowed as a deduction in  
4 computing base income, and that were paid, accrued, or  
5 incurred, directly or indirectly, (i) for taxable  
6 years ending on or after December 31, 2004, to a  
7 foreign person who would be a member of the same  
8 unitary business group but for the fact that the  
9 foreign person's business activity outside the United  
10 States is 80% or more of that person's total business  
11 activity and (ii) for taxable years ending on or after  
12 December 31, 2008, to a person who would be a member of  
13 the same unitary business group but for the fact that  
14 the person is prohibited under Section 1501(a)(27)  
15 from being included in the unitary business group  
16 because he or she is ordinarily required to apportion  
17 business income under different subsections of Section  
18 304. The addition modification required by this  
19 subparagraph shall be reduced to the extent that  
20 dividends were included in base income of the unitary  
21 group for the same taxable year and received by the  
22 taxpayer or by a member of the taxpayer's unitary  
23 business group (including amounts included in gross  
24 income pursuant to Sections 951 through 964 of the  
25 Internal Revenue Code and amounts included in gross  
26 income under Section 78 of the Internal Revenue Code)



1 with respect to the stock of the same person to whom  
2 the intangible expenses and costs were directly or  
3 indirectly paid, incurred or accrued. The preceding  
4 sentence shall not apply to the extent that the same  
5 dividends caused a reduction to the addition  
6 modification required under Section 203(d)(2)(D-7) of  
7 this Act. As used in this subparagraph, the term  
8 "intangible expenses and costs" includes (1) expenses,  
9 losses, and costs for, or related to, the direct or  
10 indirect acquisition, use, maintenance or management,  
11 ownership, sale, exchange, or any other disposition of  
12 intangible property; (2) losses incurred, directly or  
13 indirectly, from factoring transactions or discounting  
14 transactions; (3) royalty, patent, technical, and  
15 copyright fees; (4) licensing fees; and (5) other  
16 similar expenses and costs. For purposes of this  
17 subparagraph, "intangible property" includes patents,  
18 patent applications, trade names, trademarks, service  
19 marks, copyrights, mask works, trade secrets, and  
20 similar types of intangible assets;

21 This paragraph shall not apply to the following:

22 (i) any item of intangible expenses or costs  
23 paid, accrued, or incurred, directly or  
24 indirectly, from a transaction with a person who is  
25 subject in a foreign country or state, other than a  
26 state which requires mandatory unitary reporting,

1 to a tax on or measured by net income with respect  
2 to such item; or

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

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

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

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

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

10           (D-9) For taxable years ending on or after December  
11           31, 2008, an amount equal to the amount of insurance  
12           premium expenses and costs otherwise allowed as a  
13           deduction in computing base income, and that were paid,  
14           accrued, or incurred, directly or indirectly, to a  
15           person who would be a member of the same unitary  
16           business group but for the fact that the person is  
17           prohibited under Section 1501(a)(27) from being  
18           included in the unitary business group because he or  
19           she is ordinarily required to apportion business  
20           income under different subsections of Section 304. The  
21           addition modification required by this subparagraph  
22           shall be reduced to the extent that dividends were  
23           included in base income of the unitary group for the  
24           same taxable year and received by the taxpayer or by a  
25           member of the taxpayer's unitary business group  
26           (including amounts included in gross income under

1 Sections 951 through 964 of the Internal Revenue Code  
2 and amounts included in gross income under Section 78  
3 of the Internal Revenue Code) with respect to the stock  
4 of the same person to whom the premiums and costs were  
5 directly or indirectly paid, incurred, or accrued. The  
6 preceding sentence does not apply to the extent that  
7 the same dividends caused a reduction to the addition  
8 modification required under Section 203(d)(2)(D-7) or  
9 Section 203(d)(2)(D-8) of this Act;

10 (D-10) An amount equal to the credit allowable to  
11 the taxpayer under Section 218(a) of this Act,  
12 determined without regard to Section 218(c) of this  
13 Act;

14 (D-11) For taxable years ending on or after  
15 December 31, 2017, an amount equal to the deduction  
16 allowed under Section 199 of the Internal Revenue Code  
17 for the taxable year;

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

20 (E) The valuation limitation amount;

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

24 (G) An amount equal to all amounts included in  
25 taxable income as modified by subparagraphs (A), (B),  
26 (C) and (D) which are exempt from taxation by this

1 State either by reason of its statutes or Constitution  
2 or by reason of the Constitution, treaties or statutes  
3 of the United States; provided that, in the case of any  
4 statute of this State that exempts income derived from  
5 bonds or other obligations from the tax imposed under  
6 this Act, the amount exempted shall be the interest net  
7 of bond premium amortization;

8 (H) Any income of the partnership which  
9 constitutes personal service income as defined in  
10 Section 1348(b)(1) of the Internal Revenue Code (as in  
11 effect December 31, 1981) or a reasonable allowance for  
12 compensation paid or accrued for services rendered by  
13 partners to the partnership, whichever is greater;  
14 this subparagraph (H) is exempt from the provisions of  
15 Section 250;

16 (I) An amount equal to all amounts of income  
17 distributable to an entity subject to the Personal  
18 Property Tax Replacement Income Tax imposed by  
19 subsections (c) and (d) of Section 201 of this Act  
20 including amounts distributable to organizations  
21 exempt from federal income tax by reason of Section  
22 501(a) of the Internal Revenue Code; this subparagraph  
23 (I) is exempt from the provisions of Section 250;

24 (J) With the exception of any amounts subtracted  
25 under subparagraph (G), an amount equal to the sum of  
26 all amounts disallowed as deductions by (i) Sections

1 171(a)(2), and 265(a)(2) ~~265(2)~~ of the Internal  
2 Revenue Code, and all amounts of expenses allocable to  
3 interest and disallowed as deductions by Section  
4 265(a)(1) ~~265(1)~~ of the Internal Revenue Code; and (ii)  
5 for taxable years ending on or after August 13, 1999,  
6 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of  
7 the Internal Revenue Code, plus, (iii) for taxable  
8 years ending on or after December 31, 2011, Section  
9 45G(e)(3) of the Internal Revenue Code and, for taxable  
10 years ending on or after December 31, 2008, any amount  
11 included in gross income under Section 87 of the  
12 Internal Revenue Code; the provisions of this  
13 subparagraph are exempt from the provisions of Section  
14 250;

15 (K) An amount equal to those dividends included in  
16 such total which were paid by a corporation which  
17 conducts business operations in a River Edge  
18 Redevelopment Zone or zones created under the River  
19 Edge Redevelopment Zone Act and conducts substantially  
20 all of its operations from a River Edge Redevelopment  
21 Zone or zones. This subparagraph (K) is exempt from the  
22 provisions of Section 250;

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

26 (M) An amount equal to those dividends included in

1 such total that were paid by a corporation that  
2 conducts business operations in a federally designated  
3 Foreign Trade Zone or Sub-Zone and that is designated a  
4 High Impact Business located in Illinois; provided  
5 that dividends eligible for the deduction provided in  
6 subparagraph (K) of paragraph (2) of this subsection  
7 shall not be eligible for the deduction provided under  
8 this subparagraph (M);

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

14 (O) For taxable years 2001 and thereafter, for the  
15 taxable year in which the bonus depreciation deduction  
16 is taken on the taxpayer's federal income tax return  
17 under subsection (k) of Section 168 of the Internal  
18 Revenue Code and for each applicable taxable year  
19 thereafter, an amount equal to "x", where:

20 (1) "y" equals the amount of the depreciation  
21 deduction taken for the taxable year on the  
22 taxpayer's federal income tax return on property  
23 for which the bonus depreciation deduction was  
24 taken in any year under subsection (k) of Section  
25 168 of the Internal Revenue Code, but not including  
26 the bonus depreciation deduction;

1           (2) for taxable years ending on or before  
2           December 31, 2005, "x" equals "y" multiplied by 30  
3           and then divided by 70 (or "y" multiplied by  
4           0.429); and

5           (3) for taxable years ending after December  
6           31, 2005:

7           (i) for property on which a bonus  
8           depreciation deduction of 30% of the adjusted  
9           basis was taken, "x" equals "y" multiplied by  
10          30 and then divided by 70 (or "y" multiplied by  
11          0.429); and

12          (ii) for property on which a bonus  
13          depreciation deduction of 50% of the adjusted  
14          basis was taken, "x" equals "y" multiplied by  
15          1.0.

16          The aggregate amount deducted under this  
17          subparagraph in all taxable years for any one piece of  
18          property may not exceed the amount of the bonus  
19          depreciation deduction taken on that property on the  
20          taxpayer's federal income tax return under subsection  
21          (k) of Section 168 of the Internal Revenue Code. This  
22          subparagraph (O) is exempt from the provisions of  
23          Section 250;

24          (P) If the taxpayer sells, transfers, abandons, or  
25          otherwise disposes of property for which the taxpayer  
26          was required in any taxable year to make an addition



1 modification under subparagraph (D-5), then an amount  
2 equal to that addition modification.

3 If the taxpayer continues to own property through  
4 the last day of the last tax year for which the  
5 taxpayer may claim a depreciation deduction for  
6 federal income tax purposes and for which the taxpayer  
7 was required in any taxable year to make an addition  
8 modification under subparagraph (D-5), then an amount  
9 equal to that addition modification.

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

13 This subparagraph (P) is exempt from the  
14 provisions of Section 250;

15 (Q) The amount of (i) any interest income (net of  
16 the deductions allocable thereto) taken into account  
17 for the taxable year with respect to a transaction with  
18 a taxpayer that is required to make an addition  
19 modification with respect to such transaction under  
20 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
21 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
22 the amount of such addition modification and (ii) any  
23 income from intangible property (net of the deductions  
24 allocable thereto) taken into account for the taxable  
25 year with respect to a transaction with a taxpayer that  
26 is required to make an addition modification with

1           respect to such transaction under Section  
2           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
3           203(d)(2)(D-8), but not to exceed the amount of such  
4           addition modification. This subparagraph (Q) is exempt  
5           from Section 250;

6           (R) An amount equal to the interest income taken  
7           into account for the taxable year (net of the  
8           deductions allocable thereto) with respect to  
9           transactions with (i) a foreign person who would be a  
10          member of the taxpayer's unitary business group but for  
11          the fact that the foreign person's business activity  
12          outside the United States is 80% or more of that  
13          person's total business activity and (ii) for taxable  
14          years ending on or after December 31, 2008, to a person  
15          who would be a member of the same unitary business  
16          group but for the fact that the person is prohibited  
17          under Section 1501(a)(27) from being included in the  
18          unitary business group because he or she is ordinarily  
19          required to apportion business income under different  
20          subsections of Section 304, but not to exceed the  
21          addition modification required to be made for the same  
22          taxable year under Section 203(d)(2)(D-7) for interest  
23          paid, accrued, or incurred, directly or indirectly, to  
24          the same person. This subparagraph (R) is exempt from  
25          Section 250;

26          (S) An amount equal to the income from intangible

1 property taken into account for the taxable year (net  
2 of the deductions allocable thereto) with respect to  
3 transactions with (i) a foreign person who would be a  
4 member of the taxpayer's unitary business group but for  
5 the fact that the foreign person's business activity  
6 outside the United States is 80% or more of that  
7 person's total business activity and (ii) for taxable  
8 years ending on or after December 31, 2008, to a person  
9 who would be a member of the same unitary business  
10 group but for the fact that the person is prohibited  
11 under Section 1501(a)(27) from being included in the  
12 unitary business group because he or she is ordinarily  
13 required to apportion business income under different  
14 subsections of Section 304, but not to exceed the  
15 addition modification required to be made for the same  
16 taxable year under Section 203(d)(2)(D-8) for  
17 intangible expenses and costs paid, accrued, or  
18 incurred, directly or indirectly, to the same person.  
19 This subparagraph (S) is exempt from Section 250; and

20 (T) For taxable years ending on or after December  
21 31, 2011, in the case of a taxpayer who was required to  
22 add back any insurance premiums under Section  
23 203(d)(2)(D-9), such taxpayer may elect to subtract  
24 that part of a reimbursement received from the  
25 insurance company equal to the amount of the expense or  
26 loss (including expenses incurred by the insurance

1           company) that would have been taken into account as a  
2           deduction for federal income tax purposes if the  
3           expense or loss had been uninsured. If a taxpayer makes  
4           the election provided for by this subparagraph (T), the  
5           insurer to which the premiums were paid must add back  
6           to income the amount subtracted by the taxpayer  
7           pursuant to this subparagraph (T). This subparagraph  
8           (T) is exempt from the provisions of Section 250.

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

10           (1) In general. Subject to the provisions of paragraph  
11           (2) and subsection (b) (3), for purposes of this Section and  
12           Section 803(e), a taxpayer's gross income, adjusted gross  
13           income, or taxable income for the taxable year shall mean  
14           the amount of gross income, adjusted gross income or  
15           taxable income properly reportable for federal income tax  
16           purposes for the taxable year under the provisions of the  
17           Internal Revenue Code. Taxable income may be less than  
18           zero. However, for taxable years ending on or after  
19           December 31, 1986, net operating loss carryforwards from  
20           taxable years ending prior to December 31, 1986, may not  
21           exceed the sum of federal taxable income for the taxable  
22           year before net operating loss deduction, plus the excess  
23           of addition modifications over subtraction modifications  
24           for the taxable year. For taxable years ending prior to  
25           December 31, 1986, taxable income may never be an amount in

1 excess of the net operating loss for the taxable year as  
2 defined in subsections (c) and (d) of Section 172 of the  
3 Internal Revenue Code, provided that when taxable income of  
4 a corporation (other than a Subchapter S corporation),  
5 trust, or estate is less than zero and addition  
6 modifications, other than those provided by subparagraph  
7 (E) of paragraph (2) of subsection (b) for corporations or  
8 subparagraph (E) of paragraph (2) of subsection (c) for  
9 trusts and estates, exceed subtraction modifications, an  
10 addition modification must be made under those  
11 subparagraphs for any other taxable year to which the  
12 taxable income less than zero (net operating loss) is  
13 applied under Section 172 of the Internal Revenue Code or  
14 under subparagraph (E) of paragraph (2) of this subsection  
15 (e) applied in conjunction with Section 172 of the Internal  
16 Revenue Code.

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

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

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

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

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

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

25           (F) Cooperatives. In the case of a cooperative  
26 corporation or association, the taxable income of such

1 organization determined in accordance with the  
2 provisions of Section 1381 through 1388 of the Internal  
3 Revenue Code, but without regard to the prohibition  
4 against offsetting losses from patronage activities  
5 against income from nonpatronage activities; except  
6 that a cooperative corporation or association may make  
7 an election to follow its federal income tax treatment  
8 of patronage losses and nonpatronage losses. In the  
9 event such election is made, such losses shall be  
10 computed and carried over in a manner consistent with  
11 subsection (a) of Section 207 of this Act and  
12 apportioned by the apportionment factor reported by  
13 the cooperative on its Illinois income tax return filed  
14 for the taxable year in which the losses are incurred.  
15 The election shall be effective for all taxable years  
16 with original returns due on or after the date of the  
17 election. In addition, the cooperative may file an  
18 amended return or returns, as allowed under this Act,  
19 to provide that the election shall be effective for  
20 losses incurred or carried forward for taxable years  
21 occurring prior to the date of the election. Once made,  
22 the election may only be revoked upon approval of the  
23 Director. The Department shall adopt rules setting  
24 forth requirements for documenting the elections and  
25 any resulting Illinois net loss and the standards to be  
26 used by the Director in evaluating requests to revoke

1 elections. Public Act 96-932 is declaratory of  
2 existing law;

3 (G) Subchapter S corporations. In the case of: (i)  
4 a Subchapter S corporation for which there is in effect  
5 an election for the taxable year under Section 1362 of  
6 the Internal Revenue Code, the taxable income of such  
7 corporation determined in accordance with Section  
8 1363(b) of the Internal Revenue Code, except that  
9 taxable income shall take into account those items  
10 which are required by Section 1363(b)(1) of the  
11 Internal Revenue Code to be separately stated; and (ii)  
12 a Subchapter S corporation for which there is in effect  
13 a federal election to opt out of the provisions of the  
14 Subchapter S Revision Act of 1982 and have applied  
15 instead the prior federal Subchapter S rules as in  
16 effect on July 1, 1982, the taxable income of such  
17 corporation determined in accordance with the federal  
18 Subchapter S rules as in effect on July 1, 1982; and

19 (H) Partnerships. In the case of a partnership,  
20 taxable income determined in accordance with Section  
21 703 of the Internal Revenue Code, except that taxable  
22 income shall take into account those items which are  
23 required by Section 703(a)(1) to be separately stated  
24 but which would be taken into account by an individual  
25 in calculating his taxable income.

26 (3) Recapture of business expenses on disposition of



1 asset or business. Notwithstanding any other law to the  
2 contrary, if in prior years income from an asset or  
3 business has been classified as business income and in a  
4 later year is demonstrated to be non-business income, then  
5 all expenses, without limitation, deducted in such later  
6 year and in the 2 immediately preceding taxable years  
7 related to that asset or business that generated the  
8 non-business income shall be added back and recaptured as  
9 business income in the year of the disposition of the asset  
10 or business. Such amount shall be apportioned to Illinois  
11 using the greater of the apportionment fraction computed  
12 for the business under Section 304 of this Act for the  
13 taxable year or the average of the apportionment fractions  
14 computed for the business under Section 304 of this Act for  
15 the taxable year and for the 2 immediately preceding  
16 taxable years.

17 (f) Valuation limitation amount.

18 (1) In general. The valuation limitation amount  
19 referred to in subsections (a)(2)(G), (c)(2)(I) and  
20 (d)(2)(E) is an amount equal to:

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

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

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

10           (A) If the fair market value of property referred  
11           to in paragraph (1) was readily ascertainable on August  
12           1, 1969, the pre-August 1, 1969 appreciation amount for  
13           such property is the lesser of (i) the excess of such  
14           fair market value over the taxpayer's basis (for  
15           determining gain) for such property on that date  
16           (determined under the Internal Revenue Code as in  
17           effect on that date), or (ii) the total gain realized  
18           and reportable for federal income tax purposes in  
19           respect of the sale, exchange or other disposition of  
20           such property.

21           (B) If the fair market value of property referred  
22           to in paragraph (1) was not readily ascertainable on  
23           August 1, 1969, the pre-August 1, 1969 appreciation  
24           amount for such property is that amount which bears the  
25           same ratio to the total gain reported in respect of the  
26           property for federal income tax purposes for the

1 taxable year, as the number of full calendar months in  
2 that part of the taxpayer's holding period for the  
3 property ending July 31, 1969 bears to the number of  
4 full calendar months in the taxpayer's entire holding  
5 period for the property.

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

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

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

21 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;  
22 revised 10-29-18.)

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