



**93RD GENERAL ASSEMBLY**  
**State of Illinois**  
**2003 and 2004**

Introduced 02/05/04, by Robert Rita

**SYNOPSIS AS INTRODUCED:**

15 ILCS 505/16.5  
35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Removes a provision that requires a taxpayer to add to federal adjusted gross income, to arrive at base income for Illinois income tax purposes, distributions from a qualified tuition program under Section 529 of the Internal Revenue Code other than distributions from the College Savings Pool or the Illinois Prepaid Tuition Program to the extent those distributions were excluded from income in arriving at federal adjusted gross income. Amends the State Treasurer Act and further amends the Illinois Income Tax Act to allow an income tax deduction for moneys contributed in the taxable year to the College Savings Pool, the Illinois Prepaid Tuition Program, or to any other qualified tuition program under Section 529 of the Internal Revenue Code (now, deduction limited to College Savings Pool contributions). Effective immediately.

LRB093 18832 SJM 44567 b

FISCAL NOTE ACT  
MAY APPLY

1 AN ACT concerning college savings.

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

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

6 (15 ILCS 505/16.5)

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

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

22 New accounts in the College Savings Pool shall be processed  
23 through participating financial institutions. "Participating  
24 financial institution", as used in this Section, means any  
25 financial institution insured by the Federal Deposit Insurance  
26 Corporation and lawfully doing business in the State of  
27 Illinois and any credit union approved by the State Treasurer  
28 and lawfully doing business in the State of Illinois that  
29 agrees to process new accounts in the College Savings Pool.  
30 Participating financial institutions may charge a processing  
31 fee to participants to open an account in the pool that shall  
32 not exceed \$30 until the year 2001. Beginning in 2001 and every

1 year thereafter, the maximum fee limit shall be adjusted by the  
2 Treasurer based on the Consumer Price Index for the North  
3 Central Region as published by the United States Department of  
4 Labor, Bureau of Labor Statistics for the immediately preceding  
5 calendar year. Every contribution received by a financial  
6 institution for investment in the College Savings Pool shall be  
7 transferred from the financial institution to a location  
8 selected by the State Treasurer within one business day  
9 following the day that the funds must be made available in  
10 accordance with federal law. All communications from the State  
11 Treasurer to participants shall reference the participating  
12 financial institution at which the account was processed.

13 The Treasurer may invest the moneys in the College Savings  
14 Pool in the same manner, in the same types of investments, and  
15 subject to the same limitations provided for the investment of  
16 moneys by the Illinois State Board of Investment. To enhance  
17 the safety and liquidity of the College Savings Pool, to ensure  
18 the diversification of the investment portfolio of the pool,  
19 and in an effort to keep investment dollars in the State of  
20 Illinois, the State Treasurer shall make a percentage of each  
21 account available for investment in participating financial  
22 institutions doing business in the State. The State Treasurer  
23 shall deposit with the participating financial institution at  
24 which the account was processed the following percentage of  
25 each account at a prevailing rate offered by the institution,  
26 provided that the deposit is federally insured or fully  
27 collateralized and the institution accepts the deposit: 10% of  
28 the total amount of each account for which the current age of  
29 the beneficiary is less than 7 years of age, 20% of the total  
30 amount of each account for which the beneficiary is at least 7  
31 years of age and less than 12 years of age, and 50% of the total  
32 amount of each account for which the current age of the  
33 beneficiary is at least 12 years of age. The State Treasurer  
34 shall adjust each account at least annually to ensure  
35 compliance with this Section. The Treasurer shall develop,  
36 publish, and implement an investment policy covering the

1 investment of the moneys in the College Savings Pool. The  
2 policy shall be published (i) at least once each year in at  
3 least one newspaper of general circulation in both Springfield  
4 and Chicago and (ii) each year as part of the audit of the  
5 College Savings Pool by the Auditor General, which shall be  
6 distributed to all participants. The Treasurer shall notify all  
7 participants in writing, and the Treasurer shall publish in a  
8 newspaper of general circulation in both Chicago and  
9 Springfield, any changes to the previously published  
10 investment policy at least 30 calendar days before implementing  
11 the policy. Any investment policy adopted by the Treasurer  
12 shall be reviewed and updated if necessary within 90 days  
13 following the date that the State Treasurer takes office.

14 Participants shall be required to use moneys distributed  
15 from the College Savings Pool for qualified expenses at  
16 eligible educational institutions. "Qualified expenses", as  
17 used in this Section, means the following: (i) tuition, fees,  
18 and the costs of books, supplies, and equipment required for  
19 enrollment or attendance at an eligible educational  
20 institution and (ii) certain room and board expenses incurred  
21 while attending an eligible educational institution at least  
22 half-time. "Eligible educational institutions", as used in  
23 this Section, means public and private colleges, junior  
24 colleges, graduate schools, and certain vocational  
25 institutions that are described in Section 481 of the Higher  
26 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to  
27 participate in Department of Education student aid programs. A  
28 student shall be considered to be enrolled at least half-time  
29 if the student is enrolled for at least half the full-time  
30 academic work load for the course of study the student is  
31 pursuing as determined under the standards of the institution  
32 at which the student is enrolled. Distributions made from the  
33 pool for qualified expenses shall be made directly to the  
34 eligible educational institution, directly to a vendor, or in  
35 the form of a check payable to both the beneficiary and the  
36 institution or vendor. Any moneys that are distributed in any

1 other manner or that are used for expenses other than qualified  
2 expenses at an eligible educational institution shall be  
3 subject to a penalty of 10% of the earnings unless the  
4 beneficiary dies, becomes disabled, or receives a scholarship  
5 that equals or exceeds the distribution. Penalties shall be  
6 withheld at the time the distribution is made.

7 The Treasurer shall limit the contributions that may be  
8 made on behalf of a designated beneficiary based on an  
9 actuarial estimate of what is required to pay tuition, fees,  
10 and room and board for 5 undergraduate years at the highest  
11 cost eligible educational institution. The contributions made  
12 on behalf of a beneficiary who is also a beneficiary under the  
13 Illinois Prepaid Tuition Program shall be further restricted to  
14 ensure that the contributions in both programs combined do not  
15 exceed the limit established for the College Savings Pool. The  
16 Treasurer shall provide the Illinois Student Assistance  
17 Commission each year at a time designated by the Commission, an  
18 electronic report of all participant accounts in the  
19 Treasurer's College Savings Pool, listing total contributions  
20 and disbursements from each individual account during the  
21 previous calendar year. As soon thereafter as is possible  
22 following receipt of the Treasurer's report, the Illinois  
23 Student Assistance Commission shall, in turn, provide the  
24 Treasurer with an electronic report listing those College  
25 Savings Pool participants who also participate in the State's  
26 prepaid tuition program, administered by the Commission. The  
27 Commission shall be responsible for filing any combined tax  
28 reports regarding State qualified savings programs required by  
29 the United States Internal Revenue Service. The Treasurer shall  
30 work with the Illinois Student Assistance Commission to  
31 coordinate the marketing of the College Savings Pool and the  
32 Illinois Prepaid Tuition Program when considered beneficial by  
33 the Treasurer and the Director of the Illinois Student  
34 Assistance Commission. The Treasurer's office shall not  
35 publicize or otherwise market the College Savings Pool or  
36 accept any moneys into the College Savings Pool prior to March

1 1, 2000. The Treasurer shall provide a separate accounting for  
2 each designated beneficiary to each participant, the Illinois  
3 Student Assistance Commission, and the participating financial  
4 institution at which the account was processed. No interest in  
5 the program may be pledged as security for a loan.

6 The assets of the College Savings Pool and its income and  
7 operation shall be exempt from all taxation by the State of  
8 Illinois and any of its subdivisions. The accrued earnings on  
9 investments in the Pool once disbursed on behalf of a  
10 designated beneficiary shall be similarly exempt from all  
11 taxation by the State of Illinois and its subdivisions, so long  
12 as they are used for qualified expenses. Contributions during  
13 the taxable year to a College Savings Pool account or other  
14 qualified tuition program under Section 529 of the Internal  
15 Revenue Code (26 U.S.C. 529) ~~during the taxable year~~ may be  
16 deducted from adjusted gross income as provided in Section 203  
17 of the Illinois Income Tax Act. The provisions of this  
18 paragraph are exempt from Section 250 of the Illinois Income  
19 Tax Act.

20 The Treasurer shall adopt rules he or she considers  
21 necessary for the efficient administration of the College  
22 Savings Pool. The rules shall provide whatever additional  
23 parameters and restrictions are necessary to ensure that the  
24 College Savings Pool meets all of the requirements for a  
25 qualified ~~state~~ tuition program under Section 529 of the  
26 Internal Revenue Code (26 U.S.C. 529). The rules shall provide  
27 for the administration expenses of the pool to be paid from its  
28 earnings and for the investment earnings in excess of the  
29 expenses and all moneys collected as penalties to be credited  
30 or paid monthly to the several participants in the pool in a  
31 manner which equitably reflects the differing amounts of their  
32 respective investments in the pool and the differing periods of  
33 time for which those amounts were in the custody of the pool.  
34 Also, the rules shall require the maintenance of records that  
35 enable the Treasurer's office to produce a report for each  
36 account in the pool at least annually that documents the

1 account balance and investment earnings. Notice of any proposed  
2 amendments to the rules and regulations shall be provided to  
3 all participants prior to adoption. Amendments to rules and  
4 regulations shall apply only to contributions made after the  
5 adoption of the amendment.

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

12 ~~No contributions to the College Savings Pool authorized by~~  
13 ~~this Section shall be considered in evaluating the financial~~  
14 ~~situation of the designated beneficiary or be deemed a~~  
15 ~~financial resource of or a form of financial aid or assistance~~  
16 ~~to the designated beneficiary, for purposes of determining~~  
17 ~~eligibility for any scholarship, grant, or monetary assistance~~  
18 ~~awarded by the Illinois Student Assistance Commission, the~~  
19 ~~State, or any agency thereof; nor shall contributions to the~~  
20 ~~College Savings Pool reduce the amount of any scholarship,~~  
21 ~~grant, or monetary assistance that the designated beneficiary~~  
22 ~~is eligible to be awarded by the Illinois Student Assistance~~  
23 ~~Commission, the State, or any agency thereof in accordance with~~  
24 ~~the provisions of any State law.~~

25 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01; 92-16,  
26 eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff. 7-11-02.)

27 Section 10. The Illinois Income Tax Act is amended by  
28 changing Section 203 as follows:

29 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

30 Sec. 203. Base income defined.

31 (a) Individuals.

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

1 (2).

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

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

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

16 (C) An amount equal to the amount received during  
17 the taxable year as a recovery or refund of real  
18 property taxes paid with respect to the taxpayer's  
19 principal residence under the Revenue Act of 1939 and  
20 for which a deduction was previously taken under  
21 subparagraph (L) of this paragraph (2) prior to July 1,  
22 1991, the retrospective application date of Article 4  
23 of Public Act 87-17. In the case of multi-unit or  
24 multi-use structures and farm dwellings, the taxes on  
25 the taxpayer's principal residence shall be that  
26 portion of the total taxes for the entire property  
27 which is attributable to such principal residence;

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

32 (D-5) An amount, to the extent not included in  
33 adjusted gross income, equal to the amount of money  
34 withdrawn by the taxpayer in the taxable year from a  
35 medical care savings account and the interest earned on  
36 the account in the taxable year of a withdrawal



1 pursuant to subsection (b) of Section 20 of the Medical  
2 Care Savings Account Act or subsection (b) of Section  
3 20 of the Medical Care Savings Account Act of 2000;

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

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

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

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

27 (D-20) ~~(D-15)~~ For taxable years beginning on or  
28 after January 1, 2002 and ending on or before December  
29 31, 2003, in the case of a distribution from a  
30 qualified tuition program under Section 529 of the  
31 Internal Revenue Code, other than (i) a distribution  
32 from a College Savings Pool created under Section 16.5  
33 of the State Treasurer Act or (ii) a distribution from  
34 the Illinois Prepaid Tuition Trust Fund, an amount  
35 equal to the amount excluded from gross income under  
36 Section 529(c) (3) (B) ;

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

3 (E) For taxable years ending before December 31,  
4 2001, any amount included in such total in respect of  
5 any compensation (including but not limited to any  
6 compensation paid or accrued to a serviceman while a  
7 prisoner of war or missing in action) paid to a  
8 resident by reason of being on active duty in the Armed  
9 Forces of the United States and in respect of any  
10 compensation paid or accrued to a resident who as a  
11 governmental employee was a prisoner of war or missing  
12 in action, and in respect of any compensation paid to a  
13 resident in 1971 or thereafter for annual training  
14 performed pursuant to Sections 502 and 503, Title 32,  
15 United States Code as a member of the Illinois National  
16 Guard. For taxable years ending on or after December  
17 31, 2001, any amount included in such total in respect  
18 of any compensation (including but not limited to any  
19 compensation paid or accrued to a serviceman while a  
20 prisoner of war or missing in action) paid to a  
21 resident by reason of being a member of any component  
22 of the Armed Forces of the United States and in respect  
23 of any compensation paid or accrued to a resident who  
24 as a governmental employee was a prisoner of war or  
25 missing in action, and in respect of any compensation  
26 paid to a resident in 2001 or thereafter by reason of  
27 being a member of the Illinois National Guard. The  
28 provisions of this amendatory Act of the 92nd General  
29 Assembly are exempt from the provisions of Section 250;

30 (F) An amount equal to all amounts included in such  
31 total pursuant to the provisions of Sections 402(a),  
32 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
33 Internal Revenue Code, or included in such total as  
34 distributions under the provisions of any retirement  
35 or disability plan for employees of any governmental  
36 agency or unit, or retirement payments to retired

1 partners, which payments are excluded in computing net  
2 earnings from self employment by Section 1402 of the  
3 Internal Revenue Code and regulations adopted pursuant  
4 thereto;

5 (G) The valuation limitation amount;

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

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

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

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

29 (L) For taxable years ending after December 31,  
30 1983, an amount equal to all social security benefits  
31 and railroad retirement benefits included in such  
32 total pursuant to Sections 72(r) and 86 of the Internal  
33 Revenue Code;

34 (M) With the exception of any amounts subtracted  
35 under subparagraph (N), an amount equal to the sum of  
36 all amounts disallowed as deductions by (i) Sections

1 171(a) (2), and 265(2) of the Internal Revenue Code of  
2 1954, as now or hereafter amended, and all amounts of  
3 expenses allocable to interest and disallowed as  
4 deductions by Section 265(1) of the Internal Revenue  
5 Code of 1954, as now or hereafter amended; and (ii) for  
6 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; the provisions of this  
9 subparagraph are exempt from the provisions of Section  
10 250;

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

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

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

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

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

35 (S) An amount, to the extent included in adjusted  
36 gross income, equal to the amount of a contribution

1 made in the taxable year on behalf of the taxpayer to a  
2 medical care savings account established under the  
3 Medical Care Savings Account Act or the Medical Care  
4 Savings Account Act of 2000 to the extent the  
5 contribution is accepted by the account administrator  
6 as provided in that Act;

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

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

20 (V) Beginning with tax years ending on or after  
21 December 31, 1995 and ending with tax years ending on  
22 or before December 31, 2004, an amount equal to the  
23 amount paid by a taxpayer who is a self-employed  
24 taxpayer, a partner of a partnership, or a shareholder  
25 in a Subchapter S corporation for health insurance or  
26 long-term care insurance for that taxpayer or that  
27 taxpayer's spouse or dependents, to the extent that the  
28 amount paid for that health insurance or long-term care  
29 insurance may be deducted under Section 213 of the  
30 Internal Revenue Code of 1986, has not been deducted on  
31 the federal income tax return of the taxpayer, and does  
32 not exceed the taxable income attributable to that  
33 taxpayer's income, self-employment income, or  
34 Subchapter S corporation income; except that no  
35 deduction shall be allowed under this item (V) if the  
36 taxpayer is eligible to participate in any health

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

11 (W) For taxable years beginning on or after January  
12 1, 1998, all amounts included in the taxpayer's federal  
13 gross income in the taxable year from amounts converted  
14 from a regular IRA to a Roth IRA. This paragraph is  
15 exempt from the provisions of Section 250;

16 (X) For taxable year 1999 and thereafter, an amount  
17 equal to the amount of any (i) distributions, to the  
18 extent includible in gross income for federal income  
19 tax purposes, made to the taxpayer because of his or  
20 her status as a victim of persecution for racial or  
21 religious reasons by Nazi Germany or any other Axis  
22 regime or as an heir of the victim and (ii) items of  
23 income, to the extent includible in gross income for  
24 federal income tax purposes, attributable to, derived  
25 from or in any way related to assets stolen from,  
26 hidden from, or otherwise lost to a victim of  
27 persecution for racial or religious reasons by Nazi  
28 Germany or any other Axis regime immediately prior to,  
29 during, and immediately after World War II, including,  
30 but not limited to, interest on the proceeds receivable  
31 as insurance under policies issued to a victim of  
32 persecution for racial or religious reasons by Nazi  
33 Germany or any other Axis regime by European insurance  
34 companies immediately prior to and during World War II;  
35 provided, however, this subtraction from federal  
36 adjusted gross income does not apply to assets acquired

1 with such assets or with the proceeds from the sale of  
2 such assets; provided, further, this paragraph shall  
3 only apply to a taxpayer who was the first recipient of  
4 such assets after their recovery and who is a victim of  
5 persecution for racial or religious reasons by Nazi  
6 Germany or any other Axis regime or as an heir of the  
7 victim. The amount of and the eligibility for any  
8 public assistance, benefit, or similar entitlement is  
9 not affected by the inclusion of items (i) and (ii) of  
10 this paragraph in gross income for federal income tax  
11 purposes. This paragraph is exempt from the provisions  
12 of Section 250;

13 (Y) For taxable years beginning on or after January  
14 1, 2002 and ending on or before December 31, 2003,  
15 moneys contributed in the taxable year to a College  
16 Savings Pool account under Section 16.5 of the State  
17 Treasurer Act, except that amounts excluded from gross  
18 income under Section 529(c)(3)(C)(i) of the Internal  
19 Revenue Code shall not be considered moneys  
20 contributed under this subparagraph (Y). For taxable  
21 years ending after December 31, 2003, moneys  
22 contributed to a College Savings Pool account under  
23 Section 16.5 of the State Treasurer Act, to the  
24 Illinois Prepaid Tuition Trust Fund under the Illinois  
25 Prepaid Tuition Act, or to any other qualified tuition  
26 program under Section 529 of the Internal Revenue Code,  
27 except that amounts rolled over into a program under  
28 Section 529(c)(3)(C)(i) of the Internal Revenue Code  
29 shall not be considered moneys contributed under this  
30 subparagraph (Y). This subparagraph (Y) is exempt from  
31 the provisions of Section 250;

32 (Z) For taxable years 2001 and thereafter, for the  
33 taxable year in which the bonus depreciation deduction  
34 (30% of the adjusted basis of the qualified property)  
35 is taken on the taxpayer's federal income tax return  
36 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year  
2 thereafter, an amount equal to "x", where:

3 (1) "y" equals the amount of the depreciation  
4 deduction taken for the taxable year on the  
5 taxpayer's federal income tax return on property  
6 for which the bonus depreciation deduction (30% of  
7 the adjusted basis of the qualified property) was  
8 taken in any year under subsection (k) of Section  
9 168 of the Internal Revenue Code, but not including  
10 the bonus depreciation deduction; and

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

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 (30% of the adjusted basis of  
17 the qualified property) taken on that property on the  
18 taxpayer's federal income tax return under subsection  
19 (k) of Section 168 of the Internal Revenue Code; ~~and~~

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

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

30 (BB) ~~(Z)~~ Any amount included in adjusted gross  
31 income, other than salary, received by a driver in a  
32 ridesharing arrangement using a motor vehicle.

33 (b) Corporations.

34 (1) In general. In the case of a corporation, base  
35 income means an amount equal to the taxpayer's taxable



1 income for the taxable year as modified by paragraph (2).

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

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

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

13 (C) In the case of a regulated investment company,  
14 an amount equal to the excess of (i) the net long-term  
15 capital gain for the taxable year, over (ii) the amount  
16 of the capital gain dividends designated as such in  
17 accordance with Section 852(b)(3)(C) of the Internal  
18 Revenue Code and any amount designated under Section  
19 852(b)(3)(D) of the Internal Revenue Code,  
20 attributable to the taxable year (this amendatory Act  
21 of 1995 (Public Act 89-89) is declarative of existing  
22 law and is not a new enactment);

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

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

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

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

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

21 (E-5) For taxable years ending after December 31,  
22 1997, an amount equal to any eligible remediation costs  
23 that the corporation deducted in computing adjusted  
24 gross income and for which the corporation claims a  
25 credit under subsection (l) of Section 201;

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

32 (E-11) If the taxpayer reports a capital gain or  
33 loss on the taxpayer's federal income tax return for  
34 the taxable year based on a sale or transfer of  
35 property for which the taxpayer was required in any  
36 taxable year to make an addition modification under

1           subparagraph (E-10), then an amount equal to the  
2           aggregate amount of the deductions taken in all taxable  
3           years under subparagraph (T) with respect to that  
4           property.~~†~~

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

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

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

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

15           (H) In the case of a regulated investment company,  
16           an amount equal to the amount of exempt interest  
17           dividends as defined in subsection (b) (5) of Section  
18           852 of the Internal Revenue Code, paid to shareholders  
19           for the taxable year;

20           (I) With the exception of any amounts subtracted  
21           under subparagraph (J), an amount equal to the sum of  
22           all amounts disallowed as deductions by (i) Sections  
23           171(a) (2), and 265(a) (2) and amounts disallowed as  
24           interest expense by Section 291(a) (3) of the Internal  
25           Revenue Code, as now or hereafter amended, and all  
26           amounts of expenses allocable to interest and  
27           disallowed as deductions by Section 265(a) (1) of the  
28           Internal Revenue Code, as now or hereafter amended; and  
29           (ii) for taxable years ending on or after August 13,  
30           1999, Sections 171(a) (2), 265, 280C, 291(a) (3), and  
31           832(b) (5) (B) (i) of the Internal Revenue Code; the  
32           provisions of this subparagraph are exempt from the  
33           provisions of Section 250;

34           (J) An amount equal to all amounts included in such  
35           total which are exempt from taxation by this State  
36           either by reason of its statutes or Constitution or by

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

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

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

22 (M) For any taxpayer that is a financial  
23 organization within the meaning of Section 304(c) of  
24 this Act, an amount included in such total as interest  
25 income from a loan or loans made by such taxpayer to a  
26 borrower, to the extent that such a loan is secured by  
27 property which is eligible for the Enterprise Zone  
28 Investment Credit. To determine the portion of a loan  
29 or loans that is secured by property eligible for a  
30 Section 201(f) investment credit to the borrower, the  
31 entire principal amount of the loan or loans between  
32 the taxpayer and the borrower should be divided into  
33 the basis of the Section 201(f) investment credit  
34 property which secures the loan or loans, using for  
35 this purpose the original basis of such property on the  
36 date that it was placed in service in the Enterprise

1           Zone. The subtraction modification available to  
2 taxpayer in any year under this subsection shall be  
3 that portion of the total interest paid by the borrower  
4 with respect to such loan attributable to the eligible  
5 property as calculated under the previous sentence;

6           (M-1) For any taxpayer that is a financial  
7 organization within the meaning of Section 304(c) of  
8 this Act, an amount included in such total as interest  
9 income from a loan or loans made by such taxpayer to a  
10 borrower, to the extent that such a loan is secured by  
11 property which is eligible for the High Impact Business  
12 Investment Credit. To determine the portion of a loan  
13 or loans that is secured by property eligible for a  
14 Section 201(h) investment credit to the borrower, the  
15 entire principal amount of the loan or loans between  
16 the taxpayer and the borrower should be divided into  
17 the basis of the Section 201(h) investment credit  
18 property which secures the loan or loans, using for  
19 this purpose the original basis of such property on the  
20 date that it was placed in service in a federally  
21 designated Foreign Trade Zone or Sub-Zone located in  
22 Illinois. No taxpayer that is eligible for the  
23 deduction provided in subparagraph (M) of paragraph  
24 (2) of this subsection shall be eligible for the  
25 deduction provided under this subparagraph (M-1). The  
26 subtraction modification available to taxpayers in any  
27 year under this subsection shall be that portion of the  
28 total interest paid by the borrower with respect to  
29 such loan attributable to the eligible property as  
30 calculated under the previous sentence;

31           (N) Two times any contribution made during the  
32 taxable year to a designated zone organization to the  
33 extent that the contribution (i) qualifies as a  
34 charitable contribution under subsection (c) of  
35 Section 170 of the Internal Revenue Code and (ii) must,  
36 by its terms, be used for a project approved by the

1 Department of Commerce and Economic Opportunity  
2 ~~Community Affairs~~ under Section 11 of the Illinois  
3 Enterprise Zone Act;

4 (O) An amount equal to: (i) 85% for taxable years  
5 ending on or before December 31, 1992, or, a percentage  
6 equal to the percentage allowable under Section  
7 243(a)(1) of the Internal Revenue Code of 1986 for  
8 taxable years ending after December 31, 1992, of the  
9 amount by which dividends included in taxable income  
10 and received from a corporation that is not created or  
11 organized under the laws of the United States or any  
12 state or political subdivision thereof, including, for  
13 taxable years ending on or after December 31, 1988,  
14 dividends received or deemed received or paid or deemed  
15 paid under Sections 951 through 964 of the Internal  
16 Revenue Code, exceed the amount of the modification  
17 provided under subparagraph (G) of paragraph (2) of  
18 this subsection (b) which is related to such dividends;  
19 plus (ii) 100% of the amount by which dividends,  
20 included in taxable income and received, including,  
21 for taxable years ending on or after December 31, 1988,  
22 dividends received or deemed received or paid or deemed  
23 paid under Sections 951 through 964 of the Internal  
24 Revenue Code, from any such corporation specified in  
25 clause (i) that would but for the provisions of Section  
26 1504 (b) (3) of the Internal Revenue Code be treated as  
27 a member of the affiliated group which includes the  
28 dividend recipient, exceed the amount of the  
29 modification provided under subparagraph (G) of  
30 paragraph (2) of this subsection (b) which is related  
31 to such dividends;

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

35 (Q) An amount equal to the amount of the deduction  
36 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of  
2 right for the taxable year pursuant to Section 1341 of  
3 the Internal Revenue Code of 1986;

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

14 (S) For taxable years ending on or after December  
15 31, 1997, in the case of a Subchapter S corporation, an  
16 amount equal to all amounts of income allocable to a  
17 shareholder subject to the Personal Property Tax  
18 Replacement Income Tax imposed by subsections (c) and  
19 (d) of Section 201 of this Act, including amounts  
20 allocable to organizations exempt from federal income  
21 tax by reason of Section 501(a) of the Internal Revenue  
22 Code. This subparagraph (S) is exempt from the  
23 provisions of Section 250;

24 (T) For taxable years 2001 and thereafter, for the  
25 taxable year in which the bonus depreciation deduction  
26 (30% of the adjusted basis of the qualified property)  
27 is taken on the taxpayer's federal income tax return  
28 under subsection (k) of Section 168 of the Internal  
29 Revenue Code and for each applicable taxable year  
30 thereafter, an amount equal to "x", where:

31 (1) "y" equals the amount of the depreciation  
32 deduction taken for the taxable year on the  
33 taxpayer's federal income tax return on property  
34 for which the bonus depreciation deduction (30% of  
35 the adjusted basis of the qualified property) was  
36 taken in any year under subsection (k) of Section

1           168 of the Internal Revenue Code, but not including  
2           the bonus depreciation deduction; and

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

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

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

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

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

26          (c) Trusts and estates.

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

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

34                           (A) An amount equal to all amounts paid or accrued  
35          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) In the case of (i) an estate, \$600; (ii) a  
4 trust which, under its governing instrument, is  
5 required to distribute all of its income currently,  
6 \$300; and (iii) any other trust, \$100, but in each such  
7 case, only to the extent such amount was deducted in  
8 the computation of taxable income;

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

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

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

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

34 (ii) the addition modification relating to the  
35 net operating loss carried back or forward to the  
36 taxable year from any taxable year ending prior to

1 December 31, 1986 shall not exceed the amount of  
2 such carryback or carryforward;

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

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

16 (G) 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 taxable income;

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

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

31 (G-11) If the taxpayer reports a capital gain or  
32 loss on the taxpayer's federal income tax return for  
33 the taxable year based on a sale or transfer of  
34 property for which the taxpayer was required in any  
35 taxable year to make an addition modification under  
36 subparagraph (G-10), then an amount equal to the

1 aggregate amount of the deductions taken in all taxable  
2 years under subparagraph (R) with respect to that  
3 property.

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

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

9 (H) 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 (I) The valuation limitation amount;

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

35 (L) With the exception of any amounts subtracted  
36 under subparagraph (K), an amount equal to the sum of

1 all amounts disallowed as deductions by (i) Sections  
2 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
3 as now or hereafter amended, and all amounts of  
4 expenses allocable to interest and disallowed as  
5 deductions by Section 265(1) of the Internal Revenue  
6 Code of 1954, as now or hereafter amended; and (ii) for  
7 taxable years ending on or after August 13, 1999,  
8 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
9 the Internal Revenue Code; the provisions of this  
10 subparagraph are exempt from the provisions of Section  
11 250;

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

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

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

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

35 (Q) For taxable year 1999 and thereafter, an amount  
36 equal to the amount of any (i) distributions, to the

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

32 (R) For taxable years 2001 and thereafter, for the  
33 taxable year in which the bonus depreciation deduction  
34 (30% of the adjusted basis of the qualified property)  
35 is taken on the taxpayer's federal income tax return  
36 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year  
2 thereafter, an amount equal to "x", where:

3 (1) "y" equals the amount of the depreciation  
4 deduction taken for the taxable year on the  
5 taxpayer's federal income tax return on property  
6 for which the bonus depreciation deduction (30% of  
7 the adjusted basis of the qualified property) was  
8 taken in any year under subsection (k) of Section  
9 168 of the Internal Revenue Code, but not including  
10 the bonus depreciation deduction; and

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

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 (30% of the adjusted basis of  
17 the qualified property) taken on that property on the  
18 taxpayer's federal income tax return under subsection  
19 (k) of Section 168 of the Internal Revenue Code; and

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

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

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

1 (d) Partnerships.

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

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

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

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

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

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

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

28 (D-6) If the taxpayer reports a capital gain or  
29 loss on the taxpayer's federal income tax return for  
30 the taxable year based on a sale or transfer of  
31 property for which the taxpayer was required in any  
32 taxable year to make an addition modification under  
33 subparagraph (D-5), then an amount equal to the  
34 aggregate amount of the deductions taken in all taxable  
35 years under subparagraph (D) with respect to that

1           property.~~+~~

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

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

7                   (E) The valuation limitation amount;

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

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

27                   (I) An amount equal to all amounts of income  
28                   distributable to an entity subject to the Personal  
29                   Property Tax Replacement Income Tax imposed by  
30                   subsections (c) and (d) of Section 201 of this Act  
31                   including amounts distributable to organizations  
32                   exempt from federal income tax by reason of Section  
33                   501(a) of the Internal Revenue Code;

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



1 171(a) (2), and 265(2) of the Internal Revenue Code of  
2 1954, as now or hereafter amended, and all amounts of  
3 expenses allocable to interest and disallowed as  
4 deductions by Section 265(1) of the Internal Revenue  
5 Code, as now or hereafter amended; and (ii) for taxable  
6 years ending on or after August 13, 1999, Sections  
7 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the  
8 Internal Revenue Code; the provisions of this  
9 subparagraph are exempt from the provisions of Section  
10 250;

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

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

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

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

35 (O) For taxable years 2001 and thereafter, for the  
36 taxable year in which the bonus depreciation deduction

1 (30% of the adjusted basis of the qualified property)  
2 is taken on the taxpayer's federal income tax return  
3 under subsection (k) of Section 168 of the Internal  
4 Revenue Code and for each applicable taxable year  
5 thereafter, an amount equal to "x", where:

6 (1) "y" equals the amount of the depreciation  
7 deduction taken for the taxable year on the  
8 taxpayer's federal income tax return on property  
9 for which the bonus depreciation deduction (30% of  
10 the adjusted basis of the qualified property) was  
11 taken in any year under subsection (k) of Section  
12 168 of the Internal Revenue Code, but not including  
13 the bonus depreciation deduction; and

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

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 (30% of the adjusted basis of  
20 the qualified property) taken on that property on the  
21 taxpayer's federal income tax return under subsection  
22 (k) of Section 168 of the Internal Revenue Code; and

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

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

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

34 (1) In general. Subject to the provisions of paragraph

35 (2) and subsection (b) (3), for purposes of this Section

1 and Section 803(e), a taxpayer's gross income, adjusted  
2 gross income, or taxable income for the taxable year shall  
3 mean the amount of gross income, adjusted gross income or  
4 taxable income properly reportable for federal income tax  
5 purposes for the taxable year under the provisions of the  
6 Internal Revenue Code. Taxable income may be less than  
7 zero. However, for taxable years ending on or after  
8 December 31, 1986, net operating loss carryforwards from  
9 taxable years ending prior to December 31, 1986, may not  
10 exceed the sum of federal taxable income for the taxable  
11 year before net operating loss deduction, plus the excess  
12 of addition modifications over subtraction modifications  
13 for the taxable year. For taxable years ending prior to  
14 December 31, 1986, taxable income may never be an amount in  
15 excess of the net operating loss for the taxable year as  
16 defined in subsections (c) and (d) of Section 172 of the  
17 Internal Revenue Code, provided that when taxable income of  
18 a corporation (other than a Subchapter S corporation),  
19 trust, or estate is less than zero and addition  
20 modifications, other than those provided by subparagraph  
21 (E) of paragraph (2) of subsection (b) for corporations or  
22 subparagraph (E) of paragraph (2) of subsection (c) for  
23 trusts and estates, exceed subtraction modifications, an  
24 addition modification must be made under those  
25 subparagraphs for any other taxable year to which the  
26 taxable income less than zero (net operating loss) is  
27 applied under Section 172 of the Internal Revenue Code or  
28 under subparagraph (E) of paragraph (2) of this subsection  
29 (e) applied in conjunction with Section 172 of the Internal  
30 Revenue Code.

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

34 (A) Certain life insurance companies. In the case  
35 of a life insurance company subject to the tax imposed  
36 by Section 801 of the Internal Revenue Code, life

1 insurance company taxable income, plus the amount of  
2 distribution from pre-1984 policyholder surplus  
3 accounts as calculated under Section 815a of the  
4 Internal Revenue Code;

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

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

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

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

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

34 (G) Subchapter S corporations. In the case of: (i)  
35 a Subchapter S corporation for which there is in effect  
36 an election for the taxable year under Section 1362 of

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

14 (H) Partnerships. In the case of a partnership,  
15 taxable income determined in accordance with Section  
16 703 of the Internal Revenue Code, except that taxable  
17 income shall take into account those items which are  
18 required by Section 703(a)(1) to be separately stated  
19 but which would be taken into account by an individual  
20 in calculating his taxable income.

21 (f) Valuation limitation amount.

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

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

30 (B) The lesser of (i) the sum of the pre-August 1,  
31 1969 appreciation amounts (to the extent consisting of  
32 capital gain) for all property in respect of which such  
33 gain was reported for federal income tax purposes for  
34 the taxable year, or (ii) the net capital gain for the  
35 taxable year, reduced in either case by any amount of

1 such gain included in the amount determined under  
2 subsection (a) (2) (F) or (c) (2) (H).

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

4 (A) If the fair market value of property referred  
5 to in paragraph (1) was readily ascertainable on August  
6 1, 1969, the pre-August 1, 1969 appreciation amount for  
7 such property is the lesser of (i) the excess of such  
8 fair market value over the taxpayer's basis (for  
9 determining gain) for such property on that date  
10 (determined under the Internal Revenue Code as in  
11 effect on that date), or (ii) the total gain realized  
12 and reportable for federal income tax purposes in  
13 respect of the sale, exchange or other disposition of  
14 such property.

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

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

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

32 (h) Legislative intention. Except as expressly provided by  
33 this Section there shall be no modifications or limitations on  
34 the amounts of income, gain, loss or deduction taken into

1 account in determining gross income, adjusted gross income or  
2 taxable income for federal income tax purposes for the taxable  
3 year, or in the amount of such items entering into the  
4 computation of base income and net income under this Act for  
5 such taxable year, whether in respect of property values as of  
6 August 1, 1969 or otherwise.

7 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
8 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
9 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
10 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
11 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
12 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

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