



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB5892

Introduced 2/16/2012, by Rep. Donald L. Moffitt

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Provides that, beginning with taxable years ending on or after December 31, 2012 and ending with taxable years ending on or before December 31, 2017, an amount equal to 5% of the first \$1,000,000 of retail sales by the taxpayer during the taxable year of Illinois agricultural products certified by the Illinois Department of Agriculture under the "Illinois Product" label program.

LRB097 18838 HLH 64076 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-21) For taxable years beginning on or after
19 January 1, 2007, in the case of transfer of moneys from
20 a qualified tuition program under Section 529 of the
21 Internal Revenue Code that is administered by the State
22 to an out-of-state program, an amount equal to the
23 amount of moneys previously deducted from base income
24 under subsection (a)(2)(Y) of this Section;

25 (D-22) For taxable years beginning on or after
26 January 1, 2009, in the case of a nonqualified

1 withdrawal or refund of moneys from a qualified tuition
2 program under Section 529 of the Internal Revenue Code
3 administered by the State that is not used for
4 qualified expenses at an eligible education
5 institution, an amount equal to the contribution
6 component of the nonqualified withdrawal or refund
7 that was previously deducted from base income under
8 subsection (a)(2)(y) of this Section, provided that
9 the withdrawal or refund did not result from the
10 beneficiary's death or disability;

11 (D-23) An amount equal to the credit allowable to
12 the taxpayer under Section 218(a) of this Act,
13 determined without regard to Section 218(c) of this
14 Act;

15 and by deducting from the total so obtained the sum of the
16 following amounts:

17 (E) For taxable years ending before December 31,
18 2001, any amount included in such total in respect of
19 any compensation (including but not limited to any
20 compensation paid or accrued to a serviceman while a
21 prisoner of war or missing in action) paid to a
22 resident by reason of being on active duty in the Armed
23 Forces of the United States and in respect of any
24 compensation paid or accrued to a resident who as a
25 governmental employee was a prisoner of war or missing
26 in action, and in respect of any compensation paid to a

1 resident in 1971 or thereafter for annual training
2 performed pursuant to Sections 502 and 503, Title 32,
3 United States Code as a member of the Illinois National
4 Guard or, beginning with taxable years ending on or
5 after December 31, 2007, the National Guard of any
6 other state. For taxable years ending on or after
7 December 31, 2001, any amount included in such total in
8 respect of any compensation (including but not limited
9 to any compensation paid or accrued to a serviceman
10 while a prisoner of war or missing in action) paid to a
11 resident by reason of being a member of any component
12 of the Armed Forces of the United States and in respect
13 of any compensation paid or accrued to a resident who
14 as a governmental employee was a prisoner of war or
15 missing in action, and in respect of any compensation
16 paid to a resident in 2001 or thereafter by reason of
17 being a member of the Illinois National Guard or,
18 beginning with taxable years ending on or after
19 December 31, 2007, the National Guard of any other
20 state. The provisions of this subparagraph (E) are
21 exempt from the provisions of Section 250;

22 (F) An amount equal to all amounts included in such
23 total pursuant to the provisions of Sections 402(a),
24 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
25 Internal Revenue Code, or included in such total as
26 distributions under the provisions of any retirement

1 or disability plan for employees of any governmental
2 agency or unit, or retirement payments to retired
3 partners, which payments are excluded in computing net
4 earnings from self employment by Section 1402 of the
5 Internal Revenue Code and regulations adopted pursuant
6 thereto;

7 (G) The valuation limitation amount;

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

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

26 (K) 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 (J) of paragraph (2) of this subsection
7 shall not be eligible for the deduction provided under
8 this subparagraph (K);

9 (L) For taxable years ending after December 31,
10 1983, an amount equal to all social security benefits
11 and railroad retirement benefits included in such
12 total pursuant to Sections 72(r) and 86 of the Internal
13 Revenue Code;

14 (M) With the exception of any amounts subtracted
15 under subparagraph (N), an amount equal to the sum of
16 all amounts disallowed as deductions by (i) Sections
17 171(a) (2), and 265(2) of the Internal Revenue Code,
18 and all amounts of expenses allocable to interest and
19 disallowed as deductions by Section 265(1) of the
20 Internal Revenue Code; and (ii) for taxable years
21 ending on or after August 13, 1999, Sections 171(a) (2),
22 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
23 Code, plus, for taxable years ending on or after
24 December 31, 2011, Section 45G(e) (3) of the Internal
25 Revenue Code and, for taxable years ending on or after
26 December 31, 2008, any amount included in gross income

1 under Section 87 of the Internal Revenue Code; the
2 provisions of this subparagraph are exempt from the
3 provisions of Section 250;

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

13 (O) An amount equal to any contribution made to a
14 job training project established pursuant to the Tax
15 Increment Allocation Redevelopment Act;

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 or of any itemized deduction
21 taken from adjusted gross income in the computation of
22 taxable income for restoration of substantial amounts
23 held under claim of right for the taxable year;

24 (Q) An amount equal to any amounts included in such
25 total, received by the taxpayer as an acceleration in
26 the payment of life, endowment or annuity benefits in

1 advance of the time they would otherwise be payable as
2 an indemnity for a terminal illness;

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

5 (S) An amount, to the extent included in adjusted
6 gross income, equal to the amount of a contribution
7 made in the taxable year on behalf of the taxpayer to a
8 medical care savings account established under the
9 Medical Care Savings Account Act or the Medical Care
10 Savings Account Act of 2000 to the extent the
11 contribution is accepted by the account administrator
12 as provided in that Act;

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

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

26 (V) Beginning with tax years ending on or after

1 December 31, 1995 and ending with tax years ending on
2 or before December 31, 2004, an amount equal to the
3 amount paid by a taxpayer who is a self-employed
4 taxpayer, a partner of a partnership, or a shareholder
5 in a Subchapter S corporation for health insurance or
6 long-term care insurance for that taxpayer or that
7 taxpayer's spouse or dependents, to the extent that the
8 amount paid for that health insurance or long-term care
9 insurance may be deducted under Section 213 of the
10 Internal Revenue Code, has not been deducted on the
11 federal income tax return of the taxpayer, and does not
12 exceed the taxable income attributable to that
13 taxpayer's income, self-employment income, or
14 Subchapter S corporation income; except that no
15 deduction shall be allowed under this item (V) if the
16 taxpayer is eligible to participate in any health
17 insurance or long-term care insurance plan of an
18 employer of the taxpayer or the taxpayer's spouse. The
19 amount of the health insurance and long-term care
20 insurance subtracted under this item (V) shall be
21 determined by multiplying total health insurance and
22 long-term care insurance premiums paid by the taxpayer
23 times a number that represents the fractional
24 percentage of eligible medical expenses under Section
25 213 of the Internal Revenue Code of 1986 not actually
26 deducted on the taxpayer's federal income tax return;

1 (W) For taxable years beginning on or after January
2 1, 1998, all amounts included in the taxpayer's federal
3 gross income in the taxable year from amounts converted
4 from a regular IRA to a Roth IRA. This paragraph is
5 exempt from the provisions of Section 250;

6 (X) For taxable year 1999 and thereafter, an amount
7 equal to the amount of any (i) distributions, to the
8 extent includible in gross income for federal income
9 tax purposes, made to the taxpayer because of his or
10 her status as a victim of persecution for racial or
11 religious reasons by Nazi Germany or any other Axis
12 regime or as an heir of the victim and (ii) items of
13 income, to the extent includible in gross income for
14 federal income tax purposes, attributable to, derived
15 from or in any way related to assets stolen from,
16 hidden from, or otherwise lost to a victim of
17 persecution for racial or religious reasons by Nazi
18 Germany or any other Axis regime immediately prior to,
19 during, and immediately after World War II, including,
20 but not limited to, interest on the proceeds receivable
21 as insurance under policies issued to a victim of
22 persecution for racial or religious reasons by Nazi
23 Germany or any other Axis regime by European insurance
24 companies immediately prior to and during World War II;
25 provided, however, this subtraction from federal
26 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, 2004,
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 beginning on or after January 1, 2005, a maximum
22 of \$10,000 contributed in the taxable year to (i) a
23 College Savings Pool account under Section 16.5 of the
24 State Treasurer Act or (ii) the Illinois Prepaid
25 Tuition Trust Fund, except that amounts excluded from
26 gross income under Section 529(c)(3)(C)(i) of the

1 Internal Revenue Code shall not be considered moneys
2 contributed under this subparagraph (Y). For purposes
3 of this subparagraph, contributions made by an
4 employer on behalf of an employee, or matching
5 contributions made by an employee, shall be treated as
6 made by the employee. This subparagraph (Y) is exempt
7 from the provisions of Section 250;

8 (Z) For taxable years 2001 and thereafter, for the
9 taxable year in which the bonus depreciation deduction
10 is taken on the taxpayer's federal income tax return
11 under subsection (k) of Section 168 of the Internal
12 Revenue Code and for each applicable taxable year
13 thereafter, an amount equal to "x", where:

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

21 (2) for taxable years ending on or before
22 December 31, 2005, "x" equals "y" multiplied by 30
23 and then divided by 70 (or "y" multiplied by
24 0.429); and

25 (3) for taxable years ending after December
26 31, 2005:

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

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

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

18 (AA) 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-15), then
22 an amount equal to that addition modification.

23 If the taxpayer continues to own property through
24 the last day of the last tax year for which the
25 taxpayer may claim a depreciation deduction for
26 federal income tax purposes and for which the taxpayer

1 was required in any taxable year to make an addition
2 modification under subparagraph (D-15), then an amount
3 equal to that addition modification.

4 The taxpayer is allowed to take the deduction under
5 this subparagraph only once with respect to any one
6 piece of property.

7 This subparagraph (AA) is exempt from the
8 provisions of Section 250;

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

12 (CC) 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 that addition modification, and (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 that

1 addition modification. This subparagraph (CC) is
2 exempt from the provisions of Section 250;

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

23 (EE) An amount equal to the income from intangible
24 property taken into account for the taxable year (net
25 of the deductions allocable thereto) with respect to
26 transactions with (i) a foreign person who would be a

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

18 (FF) An amount equal to any amount awarded to the
19 taxpayer during the taxable year by the Court of Claims
20 under subsection (c) of Section 8 of the Court of
21 Claims Act for time unjustly served in a State prison.
22 This subparagraph (FF) is exempt from the provisions of
23 Section 250; and

24 (GG) For taxable years ending on or after December
25 31, 2011, in the case of a taxpayer who was required to
26 add back any insurance premiums under Section

1 203(a)(2)(D-19), such taxpayer may elect to subtract
2 that part of a reimbursement received from the
3 insurance company equal to the amount of the expense or
4 loss (including expenses incurred by the insurance
5 company) that would have been taken into account as a
6 deduction for federal income tax purposes if the
7 expense or loss had been uninsured. If a taxpayer makes
8 the election provided for by this subparagraph (GG),
9 the insurer to which the premiums were paid must add
10 back to income the amount subtracted by the taxpayer
11 pursuant to this subparagraph (GG). This subparagraph
12 (GG) is exempt from the provisions of Section 250.

13 (HH) Beginning with taxable years ending on or
14 after December 31, 2012 and ending with taxable years
15 ending on or before December 31, 2017, an amount equal
16 to 5% of the first \$1,000,000 of retail sales by the
17 taxpayer during the taxable year of Illinois
18 agricultural products certified by the Illinois
19 Department of Agriculture under the "Illinois Product"
20 label program.

21 (b) Corporations.

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

25 (2) Modifications. The taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum
2 of the following amounts:

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

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

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

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

25 (E) For taxable years in which a net operating loss
26 carryback or carryforward from a taxable year ending

1 prior to December 31, 1986 is an element of taxable
2 income under paragraph (1) of subsection (e) or
3 subparagraph (E) of paragraph (2) of subsection (e),
4 the amount by which addition modifications other than
5 those provided by this subparagraph (E) exceeded
6 subtraction modifications in such earlier taxable
7 year, with the following limitations applied in the
8 order that they are listed:

9 (i) 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 be reduced by the amount of
13 addition modification under this subparagraph (E)
14 which related to that net operating loss and which
15 was taken into account in calculating the base
16 income of an earlier taxable year, and

17 (ii) the addition modification relating to the
18 net operating loss carried back or forward to the
19 taxable year from any taxable year ending prior to
20 December 31, 1986 shall not exceed the amount of
21 such carryback or carryforward;

22 For taxable years in which there is a net operating
23 loss carryback or carryforward from more than one other
24 taxable year ending prior to December 31, 1986, the
25 addition modification provided in this subparagraph
26 (E) shall be the sum of the amounts computed

1 independently under the preceding provisions of this
2 subparagraph (E) for each such taxable year;

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

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

13 (E-11) If the taxpayer sells, transfers, abandons,
14 or otherwise disposes of property for which the
15 taxpayer was required in any taxable year to make an
16 addition modification under subparagraph (E-10), then
17 an amount equal to the aggregate amount of the
18 deductions taken in all taxable years under
19 subparagraph (T) with respect to that property.

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

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

4 (E-12) An amount equal to the amount otherwise
5 allowed as a deduction in computing base income for
6 interest paid, accrued, or incurred, directly or
7 indirectly, (i) for taxable years ending on or after
8 December 31, 2004, to a foreign person who would be a
9 member of the same unitary business group but for the
10 fact the foreign person's business activity outside
11 the United States is 80% or more of the foreign
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. The addition modification
20 required by this subparagraph shall be reduced to the
21 extent that dividends were included in base income of
22 the unitary group for the same taxable year and
23 received by the taxpayer or by a member of the
24 taxpayer's unitary business group (including amounts
25 included in gross income pursuant to Sections 951
26 through 964 of the Internal Revenue Code and amounts

1 included in gross income under Section 78 of the
2 Internal Revenue Code) with respect to the stock of the
3 same person to whom the interest was paid, accrued, or
4 incurred.

5 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

23 (E-13) An amount equal to the amount of intangible
24 expenses and costs otherwise allowed as a deduction in
25 computing base income, and that were paid, accrued, or
26 incurred, directly or indirectly, (i) for taxable

1 years ending on or after December 31, 2004, to a
2 foreign person who would be a member of the same
3 unitary business group but for the fact that the
4 foreign person's business activity outside the United
5 States is 80% or more of that person's total business
6 activity and (ii) for taxable years ending on or after
7 December 31, 2008, to a person who would be a member of
8 the same unitary business group but for the fact that
9 the person is prohibited under Section 1501(a)(27)
10 from being included in the unitary business group
11 because he or she is ordinarily required to apportion
12 business income under different subsections of Section
13 304. The addition modification required by this
14 subparagraph shall be reduced to the extent that
15 dividends were included in base income of the unitary
16 group for the same taxable year and received by the
17 taxpayer or by a member of the taxpayer's unitary
18 business group (including amounts included in gross
19 income pursuant to Sections 951 through 964 of the
20 Internal Revenue Code and amounts included in gross
21 income under Section 78 of the Internal Revenue Code)
22 with respect to the stock of the same person to whom
23 the intangible expenses and costs were directly or
24 indirectly paid, incurred, or accrued. The preceding
25 sentence shall not apply to the extent that the same
26 dividends caused a reduction to the addition

1 modification required under Section 203(b)(2)(E-12) of
2 this Act. As used in this subparagraph, the term
3 "intangible expenses and costs" includes (1) expenses,
4 losses, and costs for, or related to, the direct or
5 indirect acquisition, use, maintenance or management,
6 ownership, sale, exchange, or any other disposition of
7 intangible property; (2) losses incurred, directly or
8 indirectly, from factoring transactions or discounting
9 transactions; (3) royalty, patent, technical, and
10 copyright fees; (4) licensing fees; and (5) other
11 similar expenses and costs. For purposes of this
12 subparagraph, "intangible property" includes patents,
13 patent applications, trade names, trademarks, service
14 marks, copyrights, mask works, trade secrets, and
15 similar types of intangible assets.

16 This paragraph shall not apply to the following:

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

24 (ii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, if the taxpayer can establish, based

1 on a preponderance of the evidence, both of the
2 following:

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

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

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

22 Nothing in this subsection shall preclude the
23 Director from making any other adjustment
24 otherwise allowed under Section 404 of this Act for
25 any tax year beginning after the effective date of
26 this amendment provided such adjustment is made

1 pursuant to regulation adopted by the Department
2 and such regulations provide methods and standards
3 by which the Department will utilize its authority
4 under Section 404 of this Act;

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

1 preceding sentence does not apply to the extent that
2 the same dividends caused a reduction to the addition
3 modification required under Section 203(b) (2) (E-12) or
4 Section 203(b) (2) (E-13) of this Act;

5 (E-15) For taxable years beginning after December
6 31, 2008, any deduction for dividends paid by a captive
7 real estate investment trust that is allowed to a real
8 estate investment trust under Section 857(b) (2) (B) of
9 the Internal Revenue Code for dividends paid;

10 (E-16) 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 and by deducting from the total so obtained the sum of the
15 following amounts:

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

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

21 (H) In the case of a regulated investment company,
22 an amount equal to the amount of exempt interest
23 dividends as defined in subsection (b) (5) of Section
24 852 of the Internal Revenue Code, paid to shareholders
25 for the taxable year;

26 (I) With the exception of any amounts subtracted

1 under subparagraph (J), an amount equal to the sum of
2 all amounts disallowed as deductions by (i) Sections
3 171(a) (2), and 265(a)(2) and amounts disallowed as
4 interest expense by Section 291(a)(3) of the Internal
5 Revenue Code, and all amounts of expenses allocable to
6 interest and disallowed as deductions by Section
7 265(a)(1) of the Internal Revenue Code; and (ii) for
8 taxable years ending on or after August 13, 1999,
9 Sections 171(a)(2), 265, 280C, 291(a)(3), and
10 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
11 for tax years ending on or after December 31, 2011,
12 amounts disallowed as deductions by Section 45G(e)(3)
13 of the Internal Revenue Code and, for taxable years
14 ending on or after December 31, 2008, any amount
15 included in gross income under Section 87 of the
16 Internal Revenue Code and the policyholders' share of
17 tax-exempt interest of a life insurance company under
18 Section 807(a)(2)(B) of the Internal Revenue Code (in
19 the case of a life insurance company with gross income
20 from a decrease in reserves for the tax year) or
21 Section 807(b)(1)(B) of the Internal Revenue Code (in
22 the case of a life insurance company allowed a
23 deduction for an increase in reserves for the tax
24 year); the provisions of this subparagraph are exempt
25 from the provisions of Section 250;

26 (J) An amount equal to all amounts included in such

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

9 (K) An amount equal to those dividends included in
10 such total which were paid by a corporation which
11 conducts business operations in an Enterprise Zone or
12 zones created under the Illinois Enterprise Zone Act or
13 a River Edge Redevelopment Zone or zones created under
14 the River Edge Redevelopment Zone Act and conducts
15 substantially all of its operations in an Enterprise
16 Zone or zones or a River Edge Redevelopment Zone or
17 zones. This subparagraph (K) is exempt from the
18 provisions of Section 250;

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

1 this subparagraph (L);

2 (M) For any taxpayer that is a financial
3 organization within the meaning of Section 304(c) of
4 this Act, an amount included in such total as interest
5 income from a loan or loans made by such taxpayer to a
6 borrower, to the extent that such a loan is secured by
7 property which is eligible for the Enterprise Zone
8 Investment Credit or the River Edge Redevelopment Zone
9 Investment Credit. To determine the portion of a loan
10 or loans that is secured by property eligible for a
11 Section 201(f) investment credit to the borrower, the
12 entire principal amount of the loan or loans between
13 the taxpayer and the borrower should be divided into
14 the basis of the Section 201(f) investment credit
15 property which secures the loan or loans, using for
16 this purpose the original basis of such property on the
17 date that it was placed in service in the Enterprise
18 Zone or the River Edge Redevelopment Zone. The
19 subtraction modification available to taxpayer in any
20 year under this subsection shall be that portion of the
21 total interest paid by the borrower with respect to
22 such loan attributable to the eligible property as
23 calculated under the previous sentence. This
24 subparagraph (M) is exempt from the provisions of
25 Section 250;

26 (M-1) For any taxpayer that is a financial

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

25 (N) Two times any contribution made during the
26 taxable year to a designated zone organization to the

1 extent that the contribution (i) qualifies as a
2 charitable contribution under subsection (c) of
3 Section 170 of the Internal Revenue Code and (ii) must,
4 by its terms, be used for a project approved by the
5 Department of Commerce and Economic Opportunity under
6 Section 11 of the Illinois Enterprise Zone Act or under
7 Section 10-10 of the River Edge Redevelopment Zone Act.
8 This subparagraph (N) is exempt from the provisions of
9 Section 250;

10 (O) An amount equal to: (i) 85% for taxable years
11 ending on or before December 31, 1992, or, a percentage
12 equal to the percentage allowable under Section
13 243(a)(1) of the Internal Revenue Code of 1986 for
14 taxable years ending after December 31, 1992, of the
15 amount by which dividends included in taxable income
16 and received from a corporation that is not created or
17 organized under the laws of the United States or any
18 state or political subdivision thereof, including, for
19 taxable years ending on or after December 31, 1988,
20 dividends received or deemed received or paid or deemed
21 paid under Sections 951 through 965 of the Internal
22 Revenue Code, exceed the amount of the modification
23 provided under subparagraph (G) of paragraph (2) of
24 this subsection (b) which is related to such dividends,
25 and including, for taxable years ending on or after
26 December 31, 2008, dividends received from a captive

1 real estate investment trust; plus (ii) 100% of the
2 amount by which dividends, included in taxable income
3 and received, including, for taxable years ending on or
4 after December 31, 1988, dividends received or deemed
5 received or paid or deemed paid under Sections 951
6 through 964 of the Internal Revenue Code and including,
7 for taxable years ending on or after December 31, 2008,
8 dividends received from a captive real estate
9 investment trust, from any such corporation specified
10 in clause (i) that would but for the provisions of
11 Section 1504 (b) (3) of the Internal Revenue Code be
12 treated as a member of the affiliated group which
13 includes the dividend recipient, exceed the amount of
14 the modification provided under subparagraph (G) of
15 paragraph (2) of this subsection (b) which is related
16 to such dividends. This subparagraph (O) is exempt from
17 the provisions of Section 250 of this Act;

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

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

26 (R) On and after July 20, 1999, in the case of an

1 attorney-in-fact with respect to whom an interinsurer
2 or a reciprocal insurer has made the election under
3 Section 835 of the Internal Revenue Code, 26 U.S.C.
4 835, an amount equal to the excess, if any, of the
5 amounts paid or incurred by that interinsurer or
6 reciprocal insurer in the taxable year to the
7 attorney-in-fact over the deduction allowed to that
8 interinsurer or reciprocal insurer with respect to the
9 attorney-in-fact under Section 835(b) of the Internal
10 Revenue Code for the taxable year; the provisions of
11 this subparagraph are exempt from the provisions of
12 Section 250;

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

23 (T) For taxable years 2001 and thereafter, for the
24 taxable year in which the bonus depreciation deduction
25 is taken on the taxpayer's federal income tax return
26 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 was
7 taken in any year under subsection (k) of Section
8 168 of the Internal Revenue Code, but not including
9 the bonus depreciation deduction;

10 (2) for taxable years ending on or before
11 December 31, 2005, "x" equals "y" multiplied by 30
12 and then divided by 70 (or "y" multiplied by
13 0.429); and

14 (3) for taxable years ending after December
15 31, 2005:

16 (i) for property on which a bonus
17 depreciation deduction of 30% of the adjusted
18 basis was taken, "x" equals "y" multiplied by
19 30 and then divided by 70 (or "y" multiplied by
20 0.429); and

21 (ii) for property on which a bonus
22 depreciation deduction of 50% of the adjusted
23 basis was taken, "x" equals "y" multiplied by
24 1.0.

25 The aggregate amount deducted under this
26 subparagraph in all taxable years for any one piece of

1 property may not exceed the amount of the bonus
2 depreciation deduction taken on that property on the
3 taxpayer's federal income tax return under subsection
4 (k) of Section 168 of the Internal Revenue Code. This
5 subparagraph (T) is exempt from the provisions of
6 Section 250;

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

12 If the taxpayer continues to own property through
13 the last day of the last tax year for which the
14 taxpayer may claim a depreciation deduction for
15 federal income tax purposes and for which the taxpayer
16 was required in any taxable year to make an addition
17 modification under subparagraph (E-10), then an amount
18 equal to that addition 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 This subparagraph (U) is exempt from the
23 provisions of Section 250;

24 (V) 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 such addition modification, (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 such
13 addition modification, and (iii) any insurance premium
14 income (net of deductions allocable thereto) taken
15 into account for the taxable year with respect to a
16 transaction with a taxpayer that is required to make an
17 addition modification with respect to such transaction
18 under Section 203(a)(2)(D-19), Section
19 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
20 203(d)(2)(D-9), but not to exceed the amount of that
21 addition modification. This subparagraph (V) is exempt
22 from the provisions of Section 250;

23 (W) An amount equal to the interest income taken
24 into account for the taxable year (net of the
25 deductions allocable thereto) with respect to
26 transactions with (i) a foreign person who would be a

1 member of the taxpayer's unitary business group but for
2 the fact that the foreign person's business activity
3 outside the United States is 80% or more of that
4 person's total business activity and (ii) for taxable
5 years ending on or after December 31, 2008, to a person
6 who would be a member of the same unitary business
7 group but for the fact that the person is prohibited
8 under Section 1501(a)(27) from being included in the
9 unitary business group because he or she is ordinarily
10 required to apportion business income under different
11 subsections of Section 304, but not to exceed the
12 addition modification required to be made for the same
13 taxable year under Section 203(b)(2)(E-12) for
14 interest paid, accrued, or incurred, directly or
15 indirectly, to the same person. This subparagraph (W)
16 is exempt from the provisions of Section 250;

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

1 group but for the fact that the person is prohibited
2 under Section 1501(a)(27) from being included in the
3 unitary business group because he or she is ordinarily
4 required to apportion business income under different
5 subsections of Section 304, but not to exceed the
6 addition modification required to be made for the same
7 taxable year under Section 203(b)(2)(E-13) for
8 intangible expenses and costs paid, accrued, or
9 incurred, directly or indirectly, to the same foreign
10 person. This subparagraph (X) is exempt from the
11 provisions of Section 250;

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

1 (Z) The difference between the nondeductible
2 controlled foreign corporation dividends under Section
3 965(e)(3) of the Internal Revenue Code over the taxable
4 income of the taxpayer, computed without regard to
5 Section 965(e)(2)(A) of the Internal Revenue Code, and
6 without regard to any net operating loss deduction.
7 This subparagraph (Z) is exempt from the provisions of
8 Section 250.

9 (AA) Beginning with taxable years ending on or
10 after December 31, 2012 and ending with taxable years
11 ending on or before December 31, 2017, an amount equal
12 to 5% of the first \$1,000,000 of retail sales by the
13 taxpayer during the taxable year of Illinois
14 agricultural products certified by the Illinois
15 Department of Agriculture under the "Illinois Product"
16 label program.

17 (3) Special rule. For purposes of paragraph (2) (A),
18 "gross income" in the case of a life insurance company, for
19 tax years ending on and after December 31, 1994, and prior
20 to December 31, 2011, shall mean the gross investment
21 income for the taxable year and, for tax years ending on or
22 after December 31, 2011, shall mean all amounts included in
23 life insurance gross income under Section 803(a)(3) of the
24 Internal Revenue Code.

25 (c) Trusts and estates.

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

4 (2) Modifications. Subject to the provisions of
5 paragraph (3), the taxable income referred to in paragraph
6 (1) shall be modified by adding thereto the sum of the
7 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) In the case of (i) an estate, \$600; (ii) a
13 trust which, under its governing instrument, is
14 required to distribute all of its income currently,
15 \$300; and (iii) any other trust, \$100, but in each such
16 case, only to the extent such amount was deducted in
17 the computation of taxable income;

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

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

25 (E) For taxable years in which a net operating loss
26 carryback or carryforward from a taxable year ending

1 prior to December 31, 1986 is an element of taxable
2 income under paragraph (1) of subsection (e) or
3 subparagraph (E) of paragraph (2) of subsection (e),
4 the amount by which addition modifications other than
5 those provided by this subparagraph (E) exceeded
6 subtraction modifications in such taxable year, with
7 the following limitations applied in the order that
8 they are listed:

9 (i) 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 be reduced by the amount of
13 addition modification under this subparagraph (E)
14 which related to that net operating loss and which
15 was taken into account in calculating the base
16 income of an earlier taxable year, and

17 (ii) the addition modification relating to the
18 net operating loss carried back or forward to the
19 taxable year from any taxable year ending prior to
20 December 31, 1986 shall not exceed the amount of
21 such carryback or carryforward;

22 For taxable years in which there is a net operating
23 loss carryback or carryforward from more than one other
24 taxable year ending prior to December 31, 1986, the
25 addition modification provided in this subparagraph
26 (E) shall be the sum of the amounts computed

1 independently under the preceding provisions of this
2 subparagraph (E) for each such taxable year;

3 (F) For taxable years ending on or after January 1,
4 1989, an amount equal to the tax deducted pursuant to
5 Section 164 of the Internal Revenue Code if the trust
6 or estate is claiming the same tax for purposes of the
7 Illinois foreign tax credit under Section 601 of this
8 Act;

9 (G) 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 (G-5) For taxable years ending after December 31,
14 1997, an amount equal to any eligible remediation costs
15 that the trust or estate deducted in computing adjusted
16 gross income and for which the trust or estate claims a
17 credit under subsection (l) of Section 201;

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

23 (G-11) If the taxpayer sells, transfers, abandons,
24 or otherwise disposes of property for which the
25 taxpayer was required in any taxable year to make an
26 addition modification under subparagraph (G-10), then

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

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

11 The taxpayer is required to make the addition
12 modification under this subparagraph only once with
13 respect to any one piece of property;

14 (G-12) An amount equal to the amount otherwise
15 allowed as a deduction in computing base income for
16 interest paid, accrued, or incurred, directly or
17 indirectly, (i) for taxable years ending on or after
18 December 31, 2004, to a foreign person who would be a
19 member of the same unitary business group but for the
20 fact that the foreign person's business activity
21 outside the United States is 80% or more of the foreign
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. The addition modification
4 required by this subparagraph shall be reduced to the
5 extent that dividends were included in base income of
6 the unitary group for the same taxable year and
7 received by the taxpayer or by a member of the
8 taxpayer's unitary business group (including amounts
9 included in gross income pursuant to Sections 951
10 through 964 of the Internal Revenue Code and amounts
11 included in gross income under Section 78 of the
12 Internal Revenue Code) with respect to the stock of the
13 same person to whom the interest was paid, accrued, or
14 incurred.

15 This paragraph shall not apply to the following:

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

22 (ii) an item of interest paid, accrued, or
23 incurred, directly or indirectly, to a person if
24 the taxpayer can establish, based on a
25 preponderance of the evidence, both of the
26 following:

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

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

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

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

24 Nothing in this subsection shall preclude the
25 Director from making any other adjustment
26 otherwise allowed under Section 404 of this Act for

1 any tax year beginning after the effective date of
2 this amendment provided such adjustment is made
3 pursuant to regulation adopted by the Department
4 and such regulations provide methods and standards
5 by which the Department will utilize its authority
6 under Section 404 of this Act;

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

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

26 This paragraph shall not apply to the following:

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

8 (ii) any item of intangible expense or cost
9 paid, accrued, or incurred, directly or
10 indirectly, if the taxpayer can establish, based
11 on a preponderance of the evidence, both of the
12 following:

13 (a) the person during the same taxable
14 year paid, accrued, or incurred, the
15 intangible expense or cost to a person that is
16 not a related member, and

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

24 (iii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with a person if the

1 taxpayer establishes by clear and convincing
2 evidence, that the adjustments are unreasonable;
3 or if the taxpayer and the Director agree in
4 writing to the application or use of an alternative
5 method of apportionment under Section 304(f);

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

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

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

15 (G-15) An amount equal to the credit allowable to
16 the taxpayer under Section 218(a) of this Act,
17 determined without regard to Section 218(c) of this
18 Act;

19 and by deducting from the total so obtained the sum of the
20 following amounts:

21 (H) An amount equal to all amounts included in such
22 total pursuant to the provisions of Sections 402(a),
23 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
24 Internal Revenue Code or included in such total as
25 distributions under the provisions of any retirement
26 or disability plan for employees of any governmental

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

6 (I) The valuation limitation amount;

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

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

21 (L) With the exception of any amounts subtracted
22 under subparagraph (K), an amount equal to the sum of
23 all amounts disallowed as deductions by (i) Sections
24 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
25 and all amounts of expenses allocable to interest and
26 disallowed as deductions by Section 265(1) of the

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

11 (M) 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 or
15 a River Edge Redevelopment Zone or zones created under
16 the River Edge Redevelopment Zone Act and conducts
17 substantially all of its operations in an Enterprise
18 Zone or Zones or a River Edge Redevelopment Zone or
19 zones. This subparagraph (M) is exempt from the
20 provisions of Section 250;

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

24 (O) An amount equal to those dividends included in
25 such total that were paid by a corporation that
26 conducts business operations in a federally designated

1 Foreign Trade Zone or Sub-Zone and that is designated a
2 High Impact Business located in Illinois; provided
3 that dividends eligible for the deduction provided in
4 subparagraph (M) of paragraph (2) of this subsection
5 shall not be eligible for the deduction provided under
6 this subparagraph (O);

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

12 (Q) For taxable year 1999 and thereafter, an amount
13 equal to the amount of any (i) distributions, to the
14 extent includible in gross income for federal income
15 tax purposes, made to the taxpayer because of his or
16 her status as a victim of persecution for racial or
17 religious reasons by Nazi Germany or any other Axis
18 regime or as an heir of the victim and (ii) items of
19 income, to the extent includible in gross income for
20 federal income tax purposes, attributable to, derived
21 from or in any way related to assets stolen from,
22 hidden from, or otherwise lost to a victim of
23 persecution for racial or religious reasons by Nazi
24 Germany or any other Axis regime immediately prior to,
25 during, and immediately after World War II, including,
26 but not limited to, interest on the proceeds receivable

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

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

25 (1) "y" equals the amount of the depreciation
26 deduction taken for the taxable year on the

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

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

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

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

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

21 The aggregate amount deducted under this
22 subparagraph in all taxable years for any one piece of
23 property may not exceed the amount of the bonus
24 depreciation deduction taken on that property on the
25 taxpayer's federal income tax return under subsection
26 (k) of Section 168 of the Internal Revenue Code. This

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

3 (S) If the taxpayer sells, transfers, abandons, or
4 otherwise disposes of property for which the taxpayer
5 was required in any taxable year to make an addition
6 modification under subparagraph (G-10), then an amount
7 equal to that addition modification.

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 required in any taxable year to make an addition
13 modification under subparagraph (G-10), then an amount
14 equal to that addition modification.

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

18 This subparagraph (S) is exempt from the
19 provisions of Section 250;

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

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

11 (U) 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 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(c)(2)(G-12) for
2 interest paid, accrued, or incurred, directly or
3 indirectly, to the same person. This subparagraph (U)
4 is exempt from the provisions of Section 250;

5 (V) 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(c)(2)(G-13) for
22 intangible expenses and costs paid, accrued, or
23 incurred, directly or indirectly, to the same foreign
24 person. This subparagraph (V) is exempt from the
25 provisions of Section 250;

26 (W) in the case of an estate, an amount equal to

1 all amounts included in such total pursuant to the
2 provisions of Section 111 of the Internal Revenue Code
3 as a recovery of items previously deducted by the
4 decedent from adjusted gross income in the computation
5 of taxable income. This subparagraph (W) is exempt from
6 Section 250;

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

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

1 (Z) Beginning with taxable years ending on or after
2 December 31, 2012 and ending with taxable years ending
3 on or before December 31, 2017, an amount equal to 5%
4 of the first \$1,000,000 of retail sales by the taxpayer
5 during the taxable year of Illinois agricultural
6 products certified by the Illinois Department of
7 Agriculture under the "Illinois Product" label
8 program.

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

16 (d) Partnerships.

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

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

23 (A) An amount equal to all amounts paid or accrued
24 to the taxpayer as interest or dividends during the
25 taxable year to the extent excluded from gross income

1 in the computation of taxable income;

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

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

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

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

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

24 If the taxpayer continues to own property through
25 the last day of the last tax year for which the
26 taxpayer may claim a depreciation deduction for

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

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 (D-7) An amount equal to the amount otherwise
9 allowed as a deduction in computing base income for
10 interest paid, accrued, or incurred, directly or
11 indirectly, (i) for taxable years ending on or after
12 December 31, 2004, to a foreign person who would be a
13 member of the same unitary business group but for the
14 fact the foreign person's business activity outside
15 the United States is 80% or more of the foreign
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. The addition modification
24 required by this subparagraph shall be reduced to the
25 extent that dividends were included in base income of
26 the unitary group for the same taxable year and

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

9 This paragraph shall not apply to the following:

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

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

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

24 (b) the transaction giving rise to the
25 interest expense between the taxpayer and the
26 person did not have as a principal purpose the

1 avoidance of Illinois income tax, and is paid
2 pursuant to a contract or agreement that
3 reflects an arm's-length interest rate and
4 terms; or

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

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

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

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

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

20 This paragraph shall not apply to the following:

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

1 to such item; or

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

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

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

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

26 Nothing in this subsection shall preclude the

1 Director from making any other adjustment
2 otherwise allowed under Section 404 of this Act for
3 any tax year beginning after the effective date of
4 this amendment provided such adjustment is made
5 pursuant to regulation adopted by the Department
6 and such regulations provide methods and standards
7 by which the Department will utilize its authority
8 under Section 404 of this Act;

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

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

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

13 and by deducting from the total so obtained the following
14 amounts:

15 (E) The valuation limitation amount;

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

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

1 this Act, the amount exempted shall be the interest net
2 of bond premium amortization;

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

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

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

1 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue
2 Code, plus, (iii) for taxable years ending on or after
3 December 31, 2011, Section 45G(e)(3) of the Internal
4 Revenue Code and, for taxable years ending on or after
5 December 31, 2008, any amount included in gross income
6 under Section 87 of the Internal Revenue Code; the
7 provisions of this subparagraph are exempt from the
8 provisions of Section 250;

9 (K) An amount equal to those dividends included in
10 such total which were paid by a corporation which
11 conducts business operations in an Enterprise Zone or
12 zones created under the Illinois Enterprise Zone Act,
13 enacted by the 82nd General Assembly, or a River Edge
14 Redevelopment Zone or zones created under the River
15 Edge Redevelopment Zone Act and conducts substantially
16 all of its operations in an Enterprise Zone or Zones or
17 from a River Edge Redevelopment Zone or zones. This
18 subparagraph (K) is exempt from the provisions of
19 Section 250;

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

23 (M) An amount equal to those dividends included in
24 such total that were paid by a corporation that
25 conducts business operations in a federally designated
26 Foreign Trade Zone or Sub-Zone and that is designated a

1 High Impact Business located in Illinois; provided
2 that dividends eligible for the deduction provided in
3 subparagraph (K) of paragraph (2) of this subsection
4 shall not be eligible for the deduction provided under
5 this subparagraph (M);

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

11 (O) 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 (O) is exempt from the provisions of
20 Section 250;

21 (P) 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 (D-5), 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 (D-5), 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 (P) is exempt from the
11 provisions of Section 250;

12 (Q) 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 and (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. This subparagraph (Q) is exempt
2 from Section 250;

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

23 (S) An amount equal to the income from intangible
24 property taken into account for the taxable year (net
25 of the deductions allocable thereto) with respect to
26 transactions with (i) a foreign person who would be a

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

17 (T) For taxable years ending on or after December
18 31, 2011, in the case of a taxpayer who was required to
19 add back any insurance premiums under Section
20 203(d)(2)(D-9), such taxpayer may elect to subtract
21 that part of a reimbursement received from the
22 insurance company equal to the amount of the expense or
23 loss (including expenses incurred by the insurance
24 company) that would have been taken into account as a
25 deduction for federal income tax purposes if the
26 expense or loss had been uninsured. If a taxpayer makes

1 the election provided for by this subparagraph (T), the
2 insurer to which the premiums were paid must add back
3 to income the amount subtracted by the taxpayer
4 pursuant to this subparagraph (T). This subparagraph
5 (T) is exempt from the provisions of Section 250.

6 (U) Beginning with taxable years ending on or after
7 December 31, 2012 and ending with taxable years ending
8 on or before December 31, 2017, an amount equal to 5%
9 of the first \$1,000,000 of retail sales by the taxpayer
10 during the taxable year of Illinois agricultural
11 products certified by the Illinois Department of
12 Agriculture under the "Illinois Product" label
13 program.

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

15 (1) In general. Subject to the provisions of paragraph
16 (2) and subsection (b) (3), for purposes of this Section
17 and Section 803(e), a taxpayer's gross income, adjusted
18 gross income, or taxable income for the taxable year shall
19 mean the amount of gross income, adjusted gross income or
20 taxable income properly reportable for federal income tax
21 purposes for the taxable year under the provisions of the
22 Internal Revenue Code. Taxable income may be less than
23 zero. However, for taxable years ending on or after
24 December 31, 1986, net operating loss carryforwards from
25 taxable years ending prior to December 31, 1986, may not

1 exceed the sum of federal taxable income for the taxable
2 year before net operating loss deduction, plus the excess
3 of addition modifications over subtraction modifications
4 for the taxable year. For taxable years ending prior to
5 December 31, 1986, taxable income may never be an amount in
6 excess of the net operating loss for the taxable year as
7 defined in subsections (c) and (d) of Section 172 of the
8 Internal Revenue Code, provided that when taxable income of
9 a corporation (other than a Subchapter S corporation),
10 trust, or estate is less than zero and addition
11 modifications, other than those provided by subparagraph
12 (E) of paragraph (2) of subsection (b) for corporations or
13 subparagraph (E) of paragraph (2) of subsection (c) for
14 trusts and estates, exceed subtraction modifications, an
15 addition modification must be made under those
16 subparagraphs for any other taxable year to which the
17 taxable income less than zero (net operating loss) is
18 applied under Section 172 of the Internal Revenue Code or
19 under subparagraph (E) of paragraph (2) of this subsection
20 (e) applied in conjunction with Section 172 of the Internal
21 Revenue Code.

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

25 (A) Certain life insurance companies. In the case
26 of a life insurance company subject to the tax imposed

1 by Section 801 of the Internal Revenue Code, life
2 insurance company taxable income, plus the amount of
3 distribution from pre-1984 policyholder surplus
4 accounts as calculated under Section 815a of the
5 Internal Revenue Code;

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

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

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

18 (E) Consolidated corporations. In the case of a
19 corporation which is a member of an affiliated group of
20 corporations filing a consolidated income tax return
21 for the taxable year for federal income tax purposes,
22 taxable income determined as if such corporation had
23 filed a separate return for federal income tax purposes
24 for the taxable year and each preceding taxable year
25 for which it was a member of an affiliated group. For
26 purposes of this subparagraph, the taxpayer's separate

1 taxable income shall be determined as if the election
2 provided by Section 243(b) (2) of the Internal Revenue
3 Code had been in effect for all such years;

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

1 the election may only be revoked upon approval of the
2 Director. The Department shall adopt rules setting
3 forth requirements for documenting the elections and
4 any resulting Illinois net loss and the standards to be
5 used by the Director in evaluating requests to revoke
6 elections. Public Act 96-932 is declaratory of
7 existing law;

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

24 (H) Partnerships. In the case of a partnership,
25 taxable income determined in accordance with Section
26 703 of the Internal Revenue Code, except that taxable

1 income shall take into account those items which are
2 required by Section 703(a)(1) to be separately stated
3 but which would be taken into account by an individual
4 in calculating his taxable income.

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

22 (f) Valuation limitation amount.

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

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

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

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

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

26 (B) If the fair market value of property referred

1 to in paragraph (1) was not readily ascertainable on
2 August 1, 1969, the pre-August 1, 1969 appreciation
3 amount for such property is that amount which bears the
4 same ratio to the total gain reported in respect of the
5 property for federal income tax purposes for the
6 taxable year, as the number of full calendar months in
7 that part of the taxpayer's holding period for the
8 property ending July 31, 1969 bears to the number of
9 full calendar months in the taxpayer's entire holding
10 period for the property.

11 (C) The Department shall prescribe such
12 regulations as may be necessary to carry out the
13 purposes of this paragraph.

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

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

1 August 1, 1969 or otherwise.

2 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
3 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
4 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
5 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
6 eff. 8-23-11.)