



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

HB1750

Introduced 1/28/2025, by Rep. Joe C. Sosnowski

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates an income tax deduction for gratuities that are included in the taxpayer's federal adjusted gross income. Creates an income tax deduction for the amount of overtime compensation that is paid to the taxpayer during the taxable year and that is included in the taxpayer's federal adjusted gross income. Effective immediately.

LRB104 06073 HLH 16106 b

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  
15 the 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  
10          1, 1991, the retrospective application date of Article  
11          4 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  
24          on the account in the taxable year of a withdrawal  
25          pursuant to subsection (b) of Section 20 of the  
26          Medical Care Savings Account Act or subsection (b) of

1 Section 20 of the Medical Care Savings Account Act of  
2 2000;

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

8 (D-15) 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  
12 the Internal Revenue Code;

13 (D-16) 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 (D-15), then  
17 an amount equal to the aggregate amount of the  
18 deductions taken in all taxable years under  
19 subparagraph (Z) 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 a  
22 subtraction is allowed with respect to that property  
23 under subparagraph (Z) and for which the taxpayer was  
24 allowed in any taxable year to make a subtraction  
25 modification under subparagraph (Z), 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           (D-17) 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 that 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 under Sections 951 through  
26          964 of the Internal Revenue Code and amounts included

1 in gross income under Section 78 of the Internal  
2 Revenue Code) with respect to the stock of the same  
3 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  
4           or agreement entered into at arm's-length rates  
5           and terms and the principal purpose for the  
6           payment is not federal or Illinois tax avoidance;  
7           or

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

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

24          (D-18) An amount equal to the amount of intangible  
25          expenses and costs otherwise allowed as a deduction in  
26          computing base income, and that were paid, accrued, or

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



1 dividends caused a reduction to the addition  
2 modification required under Section 203(a)(2)(D-17) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes (1) expenses,  
5 losses, and costs for, or related to, the direct or  
6 indirect acquisition, use, maintenance or management,  
7 ownership, sale, exchange, or any other disposition of  
8 intangible property; (2) losses incurred, directly or  
9 indirectly, from factoring transactions or discounting  
10 transactions; (3) royalty, patent, technical, and  
11 copyright fees; (4) licensing fees; and (5) other  
12 similar expenses and costs. For purposes of this  
13 subparagraph, "intangible property" includes patents,  
14 patent applications, trade names, trademarks, service  
15 marks, copyrights, mask works, trade secrets, and  
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

25 (ii) any item of intangible expense or cost  
26 paid, accrued, or incurred, directly or

1 indirectly, if the taxpayer can establish, based  
2 on a preponderance of the evidence, both of the  
3 following:

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

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

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

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

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

1 stock of the same person to whom the premiums and costs  
2 were directly or indirectly paid, incurred, or  
3 accrued. The preceding sentence does not apply to the  
4 extent that the same dividends caused a reduction to  
5 the addition modification required under Section  
6 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
7 Act;

8 (D-20) For taxable years beginning on or after  
9 January 1, 2002 and ending on or before December 31,  
10 2006, in the case of a distribution from a qualified  
11 tuition program under Section 529 of the Internal  
12 Revenue Code, other than (i) a distribution from a  
13 College Savings Pool created under Section 16.5 of the  
14 State Treasurer Act or (ii) a distribution from the  
15 Illinois Prepaid Tuition Trust Fund, an amount equal  
16 to the amount excluded from gross income under Section  
17 529(c)(3)(B). For taxable years beginning on or after  
18 January 1, 2007, in the case of a distribution from a  
19 qualified tuition program under Section 529 of the  
20 Internal Revenue Code, other than (i) a distribution  
21 from a College Savings Pool created under Section 16.5  
22 of the State Treasurer Act, (ii) a distribution from  
23 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
24 distribution from a qualified tuition program under  
25 Section 529 of the Internal Revenue Code that (I)  
26 adopts and determines that its offering materials

1           comply with the College Savings Plans Network's  
2           disclosure principles and (II) has made reasonable  
3           efforts to inform in-state residents of the existence  
4           of in-state qualified tuition programs by informing  
5           Illinois residents directly and, where applicable, to  
6           inform financial intermediaries distributing the  
7           program to inform in-state residents of the existence  
8           of in-state qualified tuition programs at least  
9           annually, an amount equal to the amount excluded from  
10          gross income under Section 529(c)(3)(B).

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

23           (D-20.5) For taxable years beginning on or after  
24          January 1, 2018, in the case of a distribution from a  
25          qualified ABLE program under Section 529A of the  
26          Internal Revenue Code, other than a distribution from

1 a qualified ABLE program created under Section 16.6 of  
2 the State Treasurer Act, an amount equal to the amount  
3 excluded from gross income under Section 529A(c) (1) (B)  
4 of the Internal Revenue Code;

5 (D-21) For taxable years beginning on or after  
6 January 1, 2007, in the case of transfer of moneys from  
7 a qualified tuition program under Section 529 of the  
8 Internal Revenue Code that is administered by the  
9 State to an out-of-state program, an amount equal to  
10 the amount of moneys previously deducted from base  
11 income under subsection (a) (2) (Y) of this Section;

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

23 (D-22) For taxable years beginning on or after  
24 January 1, 2009, and prior to January 1, 2018, in the  
25 case of a nonqualified withdrawal or refund of moneys  
26 from a qualified tuition program under Section 529 of

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

26 (D-23) An amount equal to the credit allowable to

1 the taxpayer under Section 218(a) of this Act,  
2 determined without regard to Section 218(c) of this  
3 Act;

4 (D-24) For taxable years ending on or after  
5 December 31, 2017, an amount equal to the deduction  
6 allowed under Section 199 of the Internal Revenue Code  
7 for the taxable year;

8 (D-25) In the case of a resident, an amount equal  
9 to the amount of tax for which a credit is allowed  
10 pursuant to Section 201(p) (7) of this Act;

11 and by deducting from the total so obtained the sum of the  
12 following amounts:

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



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

19 (F) An amount equal to all amounts included in  
20 such total pursuant to the provisions of Sections  
21 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
22 408 of the Internal Revenue Code, or included in such  
23 total as distributions under the provisions of any  
24 retirement or disability plan for employees of any  
25 governmental agency or unit, or retirement payments to  
26 retired partners, which payments are excluded in

1 computing net earnings from self employment by Section  
2 1402 of the Internal Revenue Code and regulations  
3 adopted pursuant thereto;

4 (G) The valuation limitation amount;

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

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

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

21 (K) An amount equal to those dividends included in  
22 such total that were paid by a corporation that  
23 conducts business operations in a federally designated  
24 Foreign Trade Zone or Sub-Zone and that is designated  
25 a High Impact Business located in Illinois; provided  
26 that dividends eligible for the deduction provided in

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

4           (L) For taxable years ending after December 31,  
5           1983, an amount equal to all social security benefits  
6           and railroad retirement benefits included in such  
7           total pursuant to Sections 72(r) and 86 of the  
8           Internal Revenue Code;

9           (M) With the exception of any amounts subtracted  
10          under subparagraph (N), an amount equal to the sum of  
11          all amounts disallowed as deductions by (i) Sections  
12          171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
13          and all amounts of expenses allocable to interest and  
14          disallowed as deductions by Section 265(a)(1) of the  
15          Internal Revenue Code; and (ii) for taxable years  
16          ending on or after August 13, 1999, Sections  
17          171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
18          Internal Revenue Code, plus, for taxable years ending  
19          on or after December 31, 2011, Section 45G(e)(3) of  
20          the Internal Revenue Code and, for taxable years  
21          ending on or after December 31, 2008, any amount  
22          included in gross income under Section 87 of the  
23          Internal Revenue Code; the provisions of this  
24          subparagraph are exempt from the provisions of Section  
25          250;

26          (N) An amount equal to all amounts included in

1       such total which are exempt from taxation by this  
2       State either by reason of its statutes or Constitution  
3       or by reason of the Constitution, treaties or statutes  
4       of the 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  
8       net of bond premium amortization;

9               (O) An amount equal to any contribution made to a  
10       job training project established pursuant to the Tax  
11       Increment Allocation Redevelopment Act;

12              (P) An amount equal to the amount of the deduction  
13       used to compute the federal income tax credit for  
14       restoration of substantial amounts held under claim of  
15       right for the taxable year pursuant to Section 1341 of  
16       the Internal Revenue Code or of any itemized deduction  
17       taken from adjusted gross income in the computation of  
18       taxable income for restoration of substantial amounts  
19       held under claim of right for the taxable year;

20              (Q) An amount equal to any amounts included in  
21       such total, received by the taxpayer as an  
22       acceleration in the payment of life, endowment or  
23       annuity benefits in advance of the time they would  
24       otherwise be payable as an indemnity for a terminal  
25       illness;

26              (R) An amount equal to the amount of any federal or

1 State bonus paid to veterans of the Persian Gulf War;

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

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

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

23 (V) Beginning with tax years ending on or after  
24 December 31, 1995 and ending with tax years ending on  
25 or before December 31, 2004, an amount equal to the  
26 amount paid by a taxpayer who is a self-employed

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

24 (W) For taxable years beginning on or after  
25 January 1, 1998, all amounts included in the  
26 taxpayer's federal gross income in the taxable year

1 from amounts converted from a regular IRA to a Roth  
2 IRA. This paragraph is exempt from the provisions of  
3 Section 250;

4 (X) For taxable year 1999 and thereafter, an  
5 amount equal to the amount of any (i) distributions,  
6 to the extent includible in gross income for federal  
7 income tax purposes, made to the taxpayer because of  
8 his or her status as a victim of persecution for racial  
9 or religious reasons by Nazi Germany or any other Axis  
10 regime or as an heir of the victim and (ii) items of  
11 income, to the extent includible in gross income for  
12 federal income tax purposes, attributable to, derived  
13 from or in any way related to assets stolen from,  
14 hidden from, or otherwise lost to a victim of  
15 persecution for racial or religious reasons by Nazi  
16 Germany or any other Axis regime immediately prior to,  
17 during, and immediately after World War II, including,  
18 but not limited to, interest on the proceeds  
19 receivable as insurance under policies issued to a  
20 victim of persecution for racial or religious reasons  
21 by Nazi Germany or any other Axis regime by European  
22 insurance companies immediately prior to and during  
23 World War II; provided, however, this subtraction from  
24 federal adjusted gross income does not apply to assets  
25 acquired with such assets or with the proceeds from  
26 the sale of such assets; provided, further, this

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

11 (Y) For taxable years beginning on or after  
12 January 1, 2002 and ending on or before December 31,  
13 2004, moneys contributed in the taxable year to a  
14 College Savings Pool account under Section 16.5 of the  
15 State Treasurer Act, except that amounts excluded from  
16 gross income under Section 529(c)(3)(C)(i) of the  
17 Internal Revenue Code shall not be considered moneys  
18 contributed under this subparagraph (Y). For taxable  
19 years beginning on or after January 1, 2005, a maximum  
20 of \$10,000 contributed in the taxable year to (i) a  
21 College Savings Pool account under Section 16.5 of the  
22 State Treasurer Act or (ii) the Illinois Prepaid  
23 Tuition Trust Fund, except that amounts excluded from  
24 gross income under Section 529(c)(3)(C)(i) of the  
25 Internal Revenue Code shall not be considered moneys  
26 contributed under this subparagraph (Y). For purposes



1 of this subparagraph, contributions made by an  
2 employer on behalf of an employee, or matching  
3 contributions made by an employee, shall be treated as  
4 made by the employee. This subparagraph (Y) is exempt  
5 from the provisions of Section 250;

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

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

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

23 (3) for taxable years ending after December  
24 31, 2005:

25 (i) for property on which a bonus  
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by  
2 30 and then divided by 70 (or "y" multiplied  
3 by 0.429);

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

8 (iii) for property on which a bonus  
9 depreciation deduction of 100% of the adjusted  
10 basis was taken in a taxable year ending on or  
11 after December 31, 2021, "x" equals the  
12 depreciation deduction that would be allowed  
13 on that property if the taxpayer had made the  
14 election under Section 168(k)(7) of the  
15 Internal Revenue Code to not claim bonus  
16 depreciation on that property; and

17 (iv) for property on which a bonus  
18 depreciation deduction of a percentage other  
19 than 30%, 50% or 100% of the adjusted basis  
20 was taken in a taxable year ending on or after  
21 December 31, 2021, "x" equals "y" multiplied  
22 by 100 times the percentage bonus depreciation  
23 on the property (that is,  $100(\text{bonus}\%)$ ) and  
24 then divided by 100 times 1 minus the  
25 percentage bonus depreciation on the property  
26 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

14          If the taxpayer continues to own property through  
15          the last day of the last tax year for which a  
16          subtraction is allowed with respect to that property  
17          under subparagraph (Z) and for which the taxpayer was  
18          required in any taxable year to make an addition  
19          modification under subparagraph (D-15), then an amount  
20          equal to that addition modification.

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

24          This subparagraph (AA) is exempt from the  
25          provisions of Section 250;

26          (BB) Any amount included in adjusted gross income,

1 other than salary, received by a driver in a  
2 ridesharing arrangement using a motor vehicle;

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

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

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

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

1 included in the unitary business group because he or  
2 she is ordinarily required to apportion business  
3 income under different subsections of Section 304, but  
4 not to exceed the addition modification required to be  
5 made for the same taxable year under Section  
6 203(a)(2)(D-18) for intangible expenses and costs  
7 paid, accrued, or incurred, directly or indirectly, to  
8 the same foreign person. This subparagraph (EE) is  
9 exempt from the provisions of Section 250;

10 (FF) An amount equal to any amount awarded to the  
11 taxpayer during the taxable year by the Court of  
12 Claims under subsection (c) of Section 8 of the Court  
13 of Claims Act for time unjustly served in a State  
14 prison. This subparagraph (FF) is exempt from the  
15 provisions of Section 250;

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

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

6 (HH) For taxable years beginning on or after  
7 January 1, 2018 and prior to January 1, 2028, a maximum  
8 of \$10,000 contributed in the taxable year to a  
9 qualified ABLE account under Section 16.6 of the State  
10 Treasurer Act, except that amounts excluded from gross  
11 income under Section 529(c)(3)(C)(i) or Section  
12 529A(c)(1)(C) of the Internal Revenue Code shall not  
13 be considered moneys contributed under this  
14 subparagraph (HH). For purposes of this subparagraph  
15 (HH), contributions made by an employer on behalf of  
16 an employee, or matching contributions made by an  
17 employee, shall be treated as made by the employee;

18 (II) For taxable years that begin on or after  
19 January 1, 2021 and begin before January 1, 2026, the  
20 amount that is included in the taxpayer's federal  
21 adjusted gross income pursuant to Section 61 of the  
22 Internal Revenue Code as discharge of indebtedness  
23 attributable to student loan forgiveness and that is  
24 not excluded from the taxpayer's federal adjusted  
25 gross income pursuant to paragraph (5) of subsection  
26 (f) of Section 108 of the Internal Revenue Code;

1           (JJ) For taxable years beginning on or after  
2           January 1, 2023, for any cannabis establishment  
3           operating in this State and licensed under the  
4           Cannabis Regulation and Tax Act or any cannabis  
5           cultivation center or medical cannabis dispensing  
6           organization operating in this State and licensed  
7           under the Compassionate Use of Medical Cannabis  
8           Program Act, an amount equal to the deductions that  
9           were disallowed under Section 280E of the Internal  
10          Revenue Code for the taxable year and that would not be  
11          added back under this subsection. The provisions of  
12          this subparagraph (JJ) are exempt from the provisions  
13          of Section 250; ~~and~~

14          (KK) To the extent includible in gross income for  
15          federal income tax purposes, any amount awarded or  
16          paid to the taxpayer as a result of a judgment or  
17          settlement for fertility fraud as provided in Section  
18          15 of the Illinois Fertility Fraud Act, donor  
19          fertility fraud as provided in Section 20 of the  
20          Illinois Fertility Fraud Act, or similar action in  
21          another state; ~~and~~

22          (LL) For taxable years beginning on or after  
23          January 1, 2026, if the taxpayer is a qualified  
24          worker, as defined in the Workforce Development  
25          through Charitable Loan Repayment Act, an amount equal  
26          to the amount included in the taxpayer's federal



1 adjusted gross income that is attributable to student  
2 loan repayment assistance received by the taxpayer  
3 during the taxable year from a qualified community  
4 foundation under the provisions of the Workforce  
5 Development ~~through~~ ~~Through~~ Charitable Loan Repayment  
6 Act.

7 This subparagraph (LL) is exempt from the  
8 provisions of Section 250~~i~~ ~~;~~.

9 ~~(MM)~~ ~~(LL)~~ For taxable years beginning on or after  
10 January 1, 2025, if the taxpayer is an eligible  
11 resident as defined in the Medical Debt Relief Act, an  
12 amount equal to the amount included in the taxpayer's  
13 federal adjusted gross income that is attributable to  
14 medical debt relief received by the taxpayer during  
15 the taxable year from a nonprofit medical debt relief  
16 coordinator under the provisions of the Medical Debt  
17 Relief Act. This subparagraph ~~(MM)~~ ~~(LL)~~ is exempt from  
18 the provisions of Section 250~~i~~ ~~;~~.

19 (NN) For taxable years beginning on or after  
20 January 1, 2026, an amount equal to the amount of  
21 gratuities included in the taxpayer's federal adjusted  
22 gross income for the taxable year; as used in this  
23 subparagraph (NN), "gratuities" has the meaning given  
24 to that term in Section 3 of the Minimum Wage Law; this  
25 subparagraph (NN) is exempt from the provisions of  
26 Section 250; and

1           (OO) For taxable years beginning on or after  
2           January 1, 2026, an amount equal to the amount of  
3           overtime compensation that is paid to the taxpayer  
4           during the taxable year and that is included in the  
5           taxpayer's federal adjusted gross income; as used in  
6           this subparagraph (OO), "overtime compensation" has  
7           the meaning given to that term in the federal Fair  
8           Labor Standards Act; this subparagraph (OO) is exempt  
9           from the provisions of Section 250.

10           (b) Corporations.

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

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

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

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

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

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

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

25               (i) the addition modification relating to the  
26               net operating loss carried back or forward to the

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

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

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

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

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

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

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

10 If the taxpayer continues to own property through  
11 the last day of the last tax year for which a  
12 subtraction is allowed with respect to that property  
13 under subparagraph (T) and for which the taxpayer was  
14 allowed in any taxable year to make a subtraction  
15 modification under subparagraph (T), then an amount  
16 equal to that subtraction modification.

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

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

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

21               This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

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



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

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

7 This paragraph shall not apply to the following:

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

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

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

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

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

5 (iii) any item of intangible expense or cost  
6 paid, accrued, or incurred, directly or  
7 indirectly, from a transaction with a person if  
8 the taxpayer establishes by clear and convincing  
9 evidence, that the adjustments are unreasonable;  
10 or if the taxpayer and the Director agree in  
11 writing to the application or use of an  
12 alternative method of apportionment under Section  
13 304(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  
17 for any tax year beginning after the effective  
18 date of this amendment provided such adjustment is  
19 made pursuant to regulation adopted by the  
20 Department and such regulations provide methods  
21 and standards by which the Department will utilize  
22 its authority under Section 404 of this Act;

23 (E-14) For taxable years ending on or after  
24 December 31, 2008, an amount equal to the amount of  
25 insurance premium expenses and costs otherwise allowed  
26 as a deduction in computing base income, and that were

1       paid, accrued, or incurred, directly or indirectly, to  
2       a person who would be a member of the same unitary  
3       business group but for the fact that the person is  
4       prohibited under Section 1501(a)(27) from being  
5       included in the unitary business group because he or  
6       she is ordinarily required to apportion business  
7       income under different subsections of Section 304. The  
8       addition modification required by this subparagraph  
9       shall be reduced to the extent that dividends were  
10      included in base income of the unitary group for the  
11      same taxable year and received by the taxpayer or by a  
12      member of the taxpayer's unitary business group  
13      (including amounts included in gross income under  
14      Sections 951 through 964 of the Internal Revenue Code  
15      and amounts included in gross income under Section 78  
16      of the Internal Revenue Code) with respect to the  
17      stock of the same person to whom the premiums and costs  
18      were directly or indirectly paid, incurred, or  
19      accrued. The preceding sentence does not apply to the  
20      extent that the same dividends caused a reduction to  
21      the addition modification required under Section  
22      203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
23      Act;

24               (E-15) For taxable years beginning after December  
25      31, 2008, any deduction for dividends paid by a  
26      captive real estate investment trust that is allowed

1 to a real estate investment trust under Section  
2 857(b)(2)(B) of the Internal Revenue Code for  
3 dividends paid;

4 (E-16) An amount equal to the credit allowable to  
5 the taxpayer under Section 218(a) of this Act,  
6 determined without regard to Section 218(c) of this  
7 Act;

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

12 (E-18) for taxable years beginning after December  
13 31, 2018, an amount equal to the deduction allowed  
14 under Section 250(a)(1)(A) of the Internal Revenue  
15 Code for the taxable year;

16 (E-19) for taxable years ending on or after June  
17 30, 2021, an amount equal to the deduction allowed  
18 under Section 250(a)(1)(B)(i) of the Internal Revenue  
19 Code for the taxable year;

20 (E-20) for taxable years ending on or after June  
21 30, 2021, an amount equal to the deduction allowed  
22 under Sections 243(e) and 245A(a) of the Internal  
23 Revenue Code for the taxable year;

24 (E-21) the amount that is claimed as a federal  
25 deduction when computing the taxpayer's federal  
26 taxable income for the taxable year and that is

1           attributable to an endowment gift for which the  
2           taxpayer receives a credit under the Illinois Gives  
3           Tax Credit Act;

4       and by deducting from the total so obtained the sum of the  
5       following amounts:

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

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

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

16          (I) With the exception of any amounts subtracted  
17          under subparagraph (J), an amount equal to the sum of  
18          all amounts disallowed as deductions by (i) Sections  
19          171(a)(2) and 265(a)(2) and amounts disallowed as  
20          interest expense by Section 291(a)(3) of the Internal  
21          Revenue Code, and all amounts of expenses allocable to  
22          interest and disallowed as deductions by Section  
23          265(a)(1) of the Internal Revenue Code; and (ii) for  
24          taxable years ending on or after August 13, 1999,  
25          Sections 171(a)(2), 265, 280C, 291(a)(3), and  
26          832(b)(5)(B)(i) of the Internal Revenue Code, plus,

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

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

25               (K) An amount equal to those dividends included in  
26               such total which were paid by a corporation which

1 conducts business operations in a River Edge  
2 Redevelopment Zone or zones created under the River  
3 Edge Redevelopment Zone Act and conducts substantially  
4 all of its operations in a River Edge Redevelopment  
5 Zone or zones. This subparagraph (K) is exempt from  
6 the provisions of Section 250;

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

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



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

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

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

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

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

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

1       affiliated group which includes the dividend  
2       recipient, exceed the amount of the modification  
3       provided under subparagraph (G) of paragraph (2) of  
4       this subsection (b) which is related to such  
5       dividends. For taxable years ending on or after June  
6       30, 2021, (i) for purposes of this subparagraph, the  
7       term "dividend" does not include any amount treated as  
8       a dividend under Section 1248 of the Internal Revenue  
9       Code, and (ii) this subparagraph shall not apply to  
10      dividends for which a deduction is allowed under  
11      Section 245(a) of the Internal Revenue Code. This  
12      subparagraph (O) is exempt from the provisions of  
13      Section 250 of this Act;

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

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

22           (R) On and after July 20, 1999, in the case of an  
23      attorney-in-fact with respect to whom an interinsurer  
24      or a reciprocal insurer has made the election under  
25      Section 835 of the Internal Revenue Code, 26 U.S.C.  
26      835, an amount equal to the excess, if any, of the

1 amounts paid or incurred by that interinsurer or  
2 reciprocal insurer in the taxable year to the  
3 attorney-in-fact over the deduction allowed to that  
4 interinsurer or reciprocal insurer with respect to the  
5 attorney-in-fact under Section 835(b) of the Internal  
6 Revenue Code for the taxable year; the provisions of  
7 this subparagraph are exempt from the provisions of  
8 Section 250;

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

19 (T) 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  
5 including 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  
16 by 0.429);

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 (iii) for property on which a bonus  
22 depreciation deduction of 100% of the adjusted  
23 basis was taken in a taxable year ending on or  
24 after December 31, 2021, "x" equals the  
25 depreciation deduction that would be allowed  
26 on that property if the taxpayer had made the

1 election under Section 168(k)(7) of the  
2 Internal Revenue Code to not claim bonus  
3 depreciation on that property; and

4 (iv) for property on which a bonus  
5 depreciation deduction of a percentage other  
6 than 30%, 50% or 100% of the adjusted basis  
7 was taken in a taxable year ending on or after  
8 December 31, 2021, "x" equals "y" multiplied  
9 by 100 times the percentage bonus depreciation  
10 on the property (that is,  $100(\text{bonus}\%)$ ) and  
11 then divided by 100 times 1 minus the  
12 percentage bonus depreciation on the property  
13 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

1           If the taxpayer continues to own property through  
2           the last day of the last tax year for which a  
3           subtraction is allowed with respect to that property  
4           under subparagraph (T) and for which the taxpayer was  
5           required in any taxable year to make an addition  
6           modification under subparagraph (E-10), then an amount  
7           equal to that addition modification.

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

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

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



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

12                 (W) An amount equal to the interest income taken  
13           into account for the taxable year (net of the  
14           deductions allocable thereto) with respect to  
15           transactions with (i) a foreign person who would be a  
16           member of the taxpayer's unitary business group but  
17           for the fact that the foreign person's business  
18           activity outside the United States is 80% or more of  
19           that person's total business activity and (ii) for  
20           taxable years ending on or after December 31, 2008, to  
21           a person who would be a member of the same unitary  
22           business group but for the fact that the person is  
23           prohibited under Section 1501(a)(27) from being  
24           included in the unitary business group because he or  
25           she is ordinarily required to apportion business  
26           income under different subsections of Section 304, but

1 not to exceed the addition modification required to be  
2 made for the same taxable year under Section  
3 203(b)(2)(E-12) for interest paid, accrued, or  
4 incurred, directly or indirectly, to the same person.  
5 This subparagraph (W) is exempt from the provisions of  
6 Section 250;

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

1 exempt from the provisions of Section 250;

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

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

26 (AA) For taxable years beginning on or after

1 January 1, 2023, for any cannabis establishment  
2 operating in this State and licensed under the  
3 Cannabis Regulation and Tax Act or any cannabis  
4 cultivation center or medical cannabis dispensing  
5 organization operating in this State and licensed  
6 under the Compassionate Use of Medical Cannabis  
7 Program Act, an amount equal to the deductions that  
8 were disallowed under Section 280E of the Internal  
9 Revenue Code for the taxable year and that would not be  
10 added back under this subsection. The provisions of  
11 this subparagraph (AA) are exempt from the provisions  
12 of Section 250.

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

21 (c) Trusts and estates.

22 (1) In general. In the case of a trust or estate, 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. Subject to the provisions of

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

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

8 (B) In the case of (i) an estate, \$600; (ii) a  
9 trust which, under its governing instrument, is  
10 required to distribute all of its income currently,  
11 \$300; and (iii) any other trust, \$100, but in each such  
12 case, only to the extent such amount was deducted in  
13 the computation of taxable income;

14 (C) An amount equal to the amount of tax imposed by  
15 this Act to the extent deducted from gross income in  
16 the computation of taxable income for the taxable  
17 year;

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

22 (E) For taxable years in which a net operating  
23 loss carryback or carryforward from a taxable year  
24 ending prior to December 31, 1986 is an element of  
25 taxable income under paragraph (1) of subsection (e)  
26 or subparagraph (E) of paragraph (2) of subsection

1 (e), the amount by which addition modifications other  
2 than those provided by this subparagraph (E) exceeded  
3 subtraction modifications in such taxable year, with  
4 the following limitations applied in the order that  
5 they are listed:

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

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

19 For taxable years in which there is a net  
20 operating loss carryback or carryforward from more  
21 than one other taxable year ending prior to December  
22 31, 1986, the addition modification provided in this  
23 subparagraph (E) shall be the sum of the amounts  
24 computed independently under the preceding provisions  
25 of this subparagraph (E) for each such taxable year;

26 (F) For taxable years ending on or after January

1           1, 1989, an amount equal to the tax deducted pursuant  
2           to Section 164 of the Internal Revenue Code if the  
3           trust or estate is claiming the same tax for purposes  
4           of the Illinois foreign tax credit under Section 601  
5           of this Act;

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

10          (G-5) For taxable years ending after December 31,  
11          1997, an amount equal to any eligible remediation  
12          costs that the trust or estate deducted in computing  
13          adjusted gross income and for which the trust or  
14          estate claims a credit under subsection (l) of Section  
15          201;

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

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

1           subparagraph (R) with respect to that property.

2           If the taxpayer continues to own property through  
3           the last day of the last tax year for which a  
4           subtraction is allowed with respect to that property  
5           under subparagraph (R) and for which the taxpayer was  
6           allowed in any taxable year to make a subtraction  
7           modification under subparagraph (R), then an amount  
8           equal to that subtraction modification.

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

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



1 subsections of Section 304. The addition modification  
2 required by this subparagraph shall be reduced to the  
3 extent that dividends were included in base income of  
4 the unitary group for the same taxable year and  
5 received by the taxpayer or by a member of the  
6 taxpayer's unitary business group (including amounts  
7 included in gross income pursuant to Sections 951  
8 through 964 of the Internal Revenue Code and amounts  
9 included in gross income under Section 78 of the  
10 Internal Revenue Code) with respect to the stock of  
11 the same person to whom the interest was paid,  
12 accrued, or incurred.

13 This paragraph shall not apply to the following:

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

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

25 (a) the person, during the same taxable  
26 year, paid, accrued, or incurred, the interest

1 to a person that is not a related member, and

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

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

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

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

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

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

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

25 This paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

23           (iii) any item of intangible expense or cost  
24           paid, accrued, or incurred, directly or  
25           indirectly, from a transaction with a person if  
26           the taxpayer establishes by clear and convincing

1 evidence, that the adjustments are unreasonable;  
2 or if the taxpayer and the Director agree in  
3 writing to the application or use of an  
4 alternative method of apportionment under Section  
5 304(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  
9 for any tax year beginning after the effective  
10 date of this amendment provided such adjustment is  
11 made pursuant to regulation adopted by the  
12 Department and such regulations provide methods  
13 and standards by which the Department will utilize  
14 its authority 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  
9 stock of the same person to whom the premiums and costs  
10 were directly or indirectly paid, incurred, or  
11 accrued. The preceding sentence does not apply to the  
12 extent that the same dividends caused a reduction to  
13 the addition modification required under Section  
14 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this  
15 Act;

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

20 (G-16) For taxable years ending on or after  
21 December 31, 2017, an amount equal to the deduction  
22 allowed under Section 199 of the Internal Revenue Code  
23 for the taxable year;

24 (G-17) the amount that is claimed as a federal  
25 deduction when computing the taxpayer's federal  
26 taxable income for the taxable year and that is

1           attributable to an endowment gift for which the  
2           taxpayer receives a credit under the Illinois Gives  
3           Tax Credit Act;

4           and by deducting from the total so obtained the sum of the  
5           following amounts:

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

17                  (I) The valuation limitation amount;

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

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



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

6 (L) With the exception of any amounts subtracted  
7 under subparagraph (K), an amount equal to the sum of  
8 all amounts disallowed as deductions by (i) Sections  
9 171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
10 and all amounts of expenses allocable to interest and  
11 disallowed as deductions by Section 265(a)(1) of the  
12 Internal Revenue Code; and (ii) for taxable years  
13 ending on or after August 13, 1999, Sections  
14 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
15 Internal Revenue Code, plus, (iii) for taxable years  
16 ending on or after December 31, 2011, Section  
17 45G(e)(3) of the Internal Revenue Code and, for  
18 taxable years ending on or after December 31, 2008,  
19 any amount included in gross income under Section 87  
20 of the Internal Revenue Code; the provisions of this  
21 subparagraph are exempt from the provisions of Section  
22 250;

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

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

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

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

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

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

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

1 for federal income tax purposes. This paragraph is  
2 exempt from the provisions of Section 250;

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

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

16 (2) for taxable years ending on or before  
17 December 31, 2005, "x" equals "y" multiplied by 30  
18 and then divided by 70 (or "y" multiplied by  
19 0.429); and

20 (3) for taxable years ending after December  
21 31, 2005:

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

1           (ii) for property on which a bonus  
2           depreciation deduction of 50% of the adjusted  
3           basis was taken, "x" equals "y" multiplied by  
4           1.0;

5           (iii) for property on which a bonus  
6           depreciation deduction of 100% of the adjusted  
7           basis was taken in a taxable year ending on or  
8           after December 31, 2021, "x" equals the  
9           depreciation deduction that would be allowed  
10          on that property if the taxpayer had made the  
11          election under Section 168(k)(7) of the  
12          Internal Revenue Code to not claim bonus  
13          depreciation on that property; and

14          (iv) for property on which a bonus  
15          depreciation deduction of a percentage other  
16          than 30%, 50% or 100% of the adjusted basis  
17          was taken in a taxable year ending on or after  
18          December 31, 2021, "x" equals "y" multiplied  
19          by 100 times the percentage bonus depreciation  
20          on the property (that is,  $100(\text{bonus}\%)$ ) and  
21          then divided by 100 times 1 minus the  
22          percentage bonus depreciation on the property  
23          (that is,  $100(1-\text{bonus}\%)$ ).

24          The aggregate amount deducted under this  
25          subparagraph in all taxable years for any one piece of  
26          property may not exceed the amount of the bonus

1 depreciation deduction taken on that property on the  
2 taxpayer's federal income tax return under subsection  
3 (k) of Section 168 of the Internal Revenue Code. This  
4 subparagraph (R) is exempt from the provisions of  
5 Section 250;

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

11 If the taxpayer continues to own property through  
12 the last day of the last tax year for which a  
13 subtraction is allowed with respect to that property  
14 under subparagraph (R) and for which the taxpayer was  
15 required in any taxable year to make an addition  
16 modification under subparagraph (G-10), then an amount  
17 equal to that addition modification.

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

21 This subparagraph (S) is exempt from the  
22 provisions of Section 250;

23 (T) The amount of (i) any interest income (net of  
24 the deductions allocable thereto) taken into account  
25 for the taxable year with respect to a transaction  
26 with a taxpayer that is required to make an addition

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

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

1 required to apportion business income under different  
2 subsections of Section 304, but not to exceed the  
3 addition modification required to be made for the same  
4 taxable year under Section 203(c)(2)(G-12) for  
5 interest paid, accrued, or incurred, directly or  
6 indirectly, to the same person. This subparagraph (U)  
7 is exempt from the provisions of Section 250;

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



1 the same foreign person. This subparagraph (V) is  
2 exempt from the provisions of Section 250;

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

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

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

1 add back to income the amount subtracted by the  
2 taxpayer pursuant to this subparagraph (Y). This  
3 subparagraph (Y) is exempt from the provisions of  
4 Section 250;

5 (Z) For taxable years beginning after December 31,  
6 2018 and before January 1, 2026, the amount of excess  
7 business loss of the taxpayer disallowed as a  
8 deduction by Section 461(l)(1)(B) of the Internal  
9 Revenue Code; and

10 (AA) For taxable years beginning on or after  
11 January 1, 2023, for any cannabis establishment  
12 operating in this State and licensed under the  
13 Cannabis Regulation and Tax Act or any cannabis  
14 cultivation center or medical cannabis dispensing  
15 organization operating in this State and licensed  
16 under the Compassionate Use of Medical Cannabis  
17 Program Act, an amount equal to the deductions that  
18 were disallowed under Section 280E of the Internal  
19 Revenue Code for the taxable year and that would not be  
20 added back under this subsection. The provisions of  
21 this subparagraph (AA) are exempt from the provisions  
22 of Section 250.

23 (3) Limitation. The amount of any modification  
24 otherwise required under this subsection shall, under  
25 regulations prescribed by the Department, be adjusted by  
26 any amounts included therein which were properly paid,

1 credited, or required to be distributed, or permanently  
2 set aside for charitable purposes pursuant to Internal  
3 Revenue Code Section 642(c) during the taxable year.

4 (d) Partnerships.

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

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

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

15 (B) An amount equal to the amount of tax imposed by  
16 this Act to the extent deducted from gross income for  
17 the taxable year;

18 (C) The amount of deductions allowed to the  
19 partnership pursuant to Section 707 (c) of the  
20 Internal Revenue Code in calculating its taxable  
21 income;

22 (D) An amount equal to the amount of the capital  
23 gain deduction allowable under the Internal Revenue  
24 Code, to the extent deducted from gross income in the  
25 computation of taxable income;

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

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

13          If the taxpayer continues to own property through  
14          the last day of the last tax year for which a  
15          subtraction is allowed with respect to that property  
16          under subparagraph (O) and for which the taxpayer was  
17          allowed in any taxable year to make a subtraction  
18          modification under subparagraph (O), then an amount  
19          equal to that subtraction modification.

20          The taxpayer is required to make the addition  
21          modification under this subparagraph only once with  
22          respect to any one piece of property;

23          (D-7) An amount equal to the amount otherwise  
24          allowed as a deduction in computing base income for  
25          interest paid, accrued, or incurred, directly or  
26          indirectly, (i) for taxable years ending on or after

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

24 This paragraph shall not apply to the following:

25 (i) an item of interest paid, accrued, or  
26 incurred, directly or indirectly, to a person who

1 is subject in a foreign country or state, other  
2 than a state which requires mandatory unitary  
3 reporting, to a tax on or measured by net income  
4 with respect to such interest; or

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

10 (a) the person, during the same taxable  
11 year, paid, accrued, or incurred, the interest  
12 to a person that is not a related member, and

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

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

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

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

17          (D-8) An amount equal to the amount of intangible  
18          expenses and costs otherwise allowed as a deduction in  
19          computing base income, and that were paid, accrued, or  
20          incurred, directly or indirectly, (i) for taxable  
21          years ending on or after December 31, 2004, to a  
22          foreign person who would be a member of the same  
23          unitary business group but for the fact that the  
24          foreign person's business activity outside the United  
25          States is 80% or more of that person's total business  
26          activity and (ii) for taxable years ending on or after

1 December 31, 2008, to a person who would be a member of  
2 the same unitary business group but for the fact that  
3 the person is prohibited under Section 1501(a)(27)  
4 from being included in the unitary business group  
5 because he or she is ordinarily required to apportion  
6 business income under different subsections of Section  
7 304. The addition modification required by this  
8 subparagraph shall be reduced to the extent that  
9 dividends were included in base income of the unitary  
10 group for the same taxable year and received by the  
11 taxpayer or by a member of the taxpayer's unitary  
12 business group (including amounts included in gross  
13 income pursuant to Sections 951 through 964 of the  
14 Internal Revenue Code and amounts included in gross  
15 income under Section 78 of the Internal Revenue Code)  
16 with respect to the stock of the same person to whom  
17 the intangible expenses and costs were directly or  
18 indirectly paid, incurred or accrued. The preceding  
19 sentence shall not apply to the extent that the same  
20 dividends caused a reduction to the addition  
21 modification required under Section 203(d)(2)(D-7) of  
22 this Act. As used in this subparagraph, the term  
23 "intangible expenses and costs" includes (1) expenses,  
24 losses, and costs for, or related to, the direct or  
25 indirect acquisition, use, maintenance or management,  
26 ownership, sale, exchange, or any other disposition of



1 intangible property; (2) losses incurred, directly or  
2 indirectly, from factoring transactions or discounting  
3 transactions; (3) royalty, patent, technical, and  
4 copyright fees; (4) licensing fees; and (5) other  
5 similar expenses and costs. For purposes of this  
6 subparagraph, "intangible property" includes patents,  
7 patent applications, trade names, trademarks, service  
8 marks, copyrights, mask works, trade secrets, and  
9 similar types of intangible assets;

10 This paragraph shall not apply to the following:

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

18 (ii) any item of intangible expense or cost  
19 paid, accrued, or incurred, directly or  
20 indirectly, if the taxpayer can establish, based  
21 on a preponderance of the evidence, both of the  
22 following:

23 (a) the person during the same taxable  
24 year paid, accrued, or incurred, the  
25 intangible expense or cost to a person that is  
26 not a related member, and

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

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

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

26          (D-9) For taxable years ending on or after

1 December 31, 2008, an amount equal to the amount of  
2 insurance premium expenses and costs otherwise allowed  
3 as a deduction in computing base income, and that were  
4 paid, accrued, or incurred, directly or indirectly, to  
5 a person who would be a member of the same unitary  
6 business group but for the fact that the person is  
7 prohibited under Section 1501(a)(27) from being  
8 included in the unitary business group because he or  
9 she is ordinarily required to apportion business  
10 income under different subsections of Section 304. The  
11 addition modification required by this subparagraph  
12 shall be reduced to the extent that dividends were  
13 included in base income of the unitary group for the  
14 same taxable year and received by the taxpayer or by a  
15 member of the taxpayer's unitary business group  
16 (including amounts included in gross income under  
17 Sections 951 through 964 of the Internal Revenue Code  
18 and amounts included in gross income under Section 78  
19 of the Internal Revenue Code) with respect to the  
20 stock of the same person to whom the premiums and costs  
21 were directly or indirectly paid, incurred, or  
22 accrued. The preceding sentence does not apply to the  
23 extent that the same dividends caused a reduction to  
24 the addition modification required under Section  
25 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;  
26 (D-10) An amount equal to the credit allowable to

1 the taxpayer under Section 218(a) of this Act,  
2 determined without regard to Section 218(c) of this  
3 Act;

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

8 (D-12) the amount that is claimed as a federal  
9 deduction when computing the taxpayer's federal  
10 taxable income for the taxable year and that is  
11 attributable to an endowment gift for which the  
12 taxpayer receives a credit under the Illinois Gives  
13 Tax Credit Act;

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

16 (E) The valuation limitation amount;

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

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

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

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

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

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

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

11 (K) An amount equal to those dividends included in  
12 such total which were paid by a corporation which  
13 conducts business operations in 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 from a River Edge Redevelopment  
17 Zone or zones. This subparagraph (K) is exempt from  
18 the provisions of Section 250;

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

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

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

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

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

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

23               (2) for taxable years ending on or before  
24               December 31, 2005, "x" equals "y" multiplied by 30  
25               and then divided by 70 (or "y" multiplied by  
26               0.429); and

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

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

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

12          (iii) for property on which a bonus  
13          depreciation deduction of 100% of the adjusted  
14          basis was taken in a taxable year ending on or  
15          after December 31, 2021, "x" equals the  
16          depreciation deduction that would be allowed  
17          on that property if the taxpayer had made the  
18          election under Section 168(k)(7) of the  
19          Internal Revenue Code to not claim bonus  
20          depreciation on that property; and

21          (iv) for property on which a bonus  
22          depreciation deduction of a percentage other  
23          than 30%, 50% or 100% of the adjusted basis  
24          was taken in a taxable year ending on or after  
25          December 31, 2021, "x" equals "y" multiplied  
26          by 100 times the percentage bonus depreciation



1           on the property (that is,  $100(\text{bonus}\%)$ ) and  
2           then divided by 100 times 1 minus the  
3           percentage bonus depreciation on the property  
4           (that is,  $100(1-\text{bonus}\%)$ ).

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

13          (P) If the taxpayer sells, transfers, abandons, or  
14          otherwise disposes of property for which the taxpayer  
15          was required in any taxable year to make an addition  
16          modification under subparagraph (D-5), then an amount  
17          equal to that addition modification.

18          If the taxpayer continues to own property through  
19          the last day of the last tax year for which a  
20          subtraction is allowed with respect to that property  
21          under subparagraph (O) and for which the taxpayer was  
22          required in any taxable year to make an addition  
23          modification under subparagraph (D-5), then an amount  
24          equal to that addition modification.

25          The taxpayer is allowed to take the deduction  
26          under this subparagraph only once with respect to any

1           one piece of property.

2           This subparagraph (P) is exempt from the  
3           provisions of Section 250;

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

21          (R) An amount equal to the interest income taken  
22          into account for the taxable year (net of the  
23          deductions allocable thereto) with respect to  
24          transactions with (i) a foreign person who would be a  
25          member of the taxpayer's unitary business group but  
26          for the fact that the foreign person's business

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

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

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

10 (T) For taxable years ending on or after December  
11 31, 2011, in the case of a taxpayer who was required to  
12 add back any insurance premiums under Section  
13 203(d)(2)(D-9), such taxpayer may elect to subtract  
14 that part of a reimbursement received from the  
15 insurance company equal to the amount of the expense  
16 or loss (including expenses incurred by the insurance  
17 company) that would have been taken into account as a  
18 deduction for federal income tax purposes if the  
19 expense or loss had been uninsured. If a taxpayer  
20 makes the election provided for by this subparagraph  
21 (T), the insurer to which the premiums were paid must  
22 add back to income the amount subtracted by the  
23 taxpayer pursuant to this subparagraph (T). This  
24 subparagraph (T) is exempt from the provisions of  
25 Section 250; and

26 (U) For taxable years beginning on or after

1 January 1, 2023, for any cannabis establishment  
2 operating in this State and licensed under the  
3 Cannabis Regulation and Tax Act or any cannabis  
4 cultivation center or medical cannabis dispensing  
5 organization operating in this State and licensed  
6 under the Compassionate Use of Medical Cannabis  
7 Program Act, an amount equal to the deductions that  
8 were disallowed under Section 280E of the Internal  
9 Revenue Code for the taxable year and that would not be  
10 added back under this subsection. The provisions of  
11 this subparagraph (U) are exempt from the provisions  
12 of Section 250.

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

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

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

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

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

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

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

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

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

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

1           determined as if the election provided by Section  
2           243(b)(2) of the Internal Revenue Code had been in  
3           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  
8           Internal Revenue Code, but without regard to the  
9           prohibition against offsetting losses from patronage  
10          activities against income from nonpatronage  
11          activities; except that a cooperative corporation or  
12          association may make an election to follow its federal  
13          income tax treatment of patronage losses and  
14          nonpatronage losses. In the event such election is  
15          made, such losses shall be computed and carried over  
16          in a manner consistent with subsection (a) of Section  
17          207 of this Act and apportioned by the apportionment  
18          factor reported by the cooperative on its Illinois  
19          income tax return filed for the taxable year in which  
20          the losses are incurred. The election shall be  
21          effective for all taxable years with original returns  
22          due on or after the date of the election. In addition,  
23          the cooperative may file an amended return or returns,  
24          as allowed under this Act, to provide that the  
25          election shall be effective for losses incurred or  
26          carried forward for taxable years occurring prior to



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

9 (G) Subchapter S corporations. In the case of: (i)  
10 a Subchapter S corporation for which there is in  
11 effect an election for the taxable year under Section  
12 1362 of the Internal Revenue Code, the taxable income  
13 of such corporation determined in accordance with  
14 Section 1363(b) of the Internal Revenue Code, except  
15 that taxable income shall take into account those  
16 items which are required by Section 1363(b)(1) of the  
17 Internal Revenue Code to be separately stated; and  
18 (ii) a Subchapter S corporation for which there is in  
19 effect a federal election to opt out of the provisions  
20 of the Subchapter S Revision Act of 1982 and have  
21 applied instead the prior federal Subchapter S rules  
22 as in effect on July 1, 1982, the taxable income of  
23 such corporation determined in accordance with the  
24 federal Subchapter S rules as in effect on July 1,  
25 1982; and

26 (H) Partnerships. In the case of a partnership,

1 taxable income determined in accordance with Section  
2 703 of the Internal Revenue Code, except that taxable  
3 income shall take into account those items which are  
4 required by Section 703(a)(1) to be separately stated  
5 but which would be taken into account by an individual  
6 in calculating his taxable income.

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

24 (f) Valuation limitation amount.

25 (1) In general. The valuation limitation amount

1       referred to in subsections (a) (2) (G), (c) (2) (I) and  
2       (d) (2) (E) is an amount equal to:

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

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

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

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

1           respect of the sale, exchange or other disposition of  
2           such property.

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

14          (C) The Department shall prescribe such  
15          regulations as may be necessary to carry out the  
16          purposes of this paragraph.

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

20          (h) Legislative intention. Except as expressly provided by  
21          this Section there shall be no modifications or limitations on  
22          the amounts of income, gain, loss or deduction taken into  
23          account in determining gross income, adjusted gross income or  
24          taxable income for federal income tax purposes for the taxable

1 year, or in the amount of such items entering into the  
2 computation of base income and net income under this Act for  
3 such taxable year, whether in respect of property values as of  
4 August 1, 1969 or otherwise.

5 (Source: P.A. 102-16, eff. 6-17-21; 102-558, eff. 8-20-21;  
6 102-658, eff. 8-27-21; 102-813, eff. 5-13-22; 102-1112, eff.  
7 12-21-22; 103-8, eff. 6-7-23; 103-478, eff. 1-1-24; 103-592,  
8 Article 10, Section 10-900, eff. 6-7-24; 103-592, Article 170,  
9 Section 170-90, eff. 6-7-24; 103-605, eff. 7-1-24; 103-647,  
10 eff. 7-1-24; revised 8-20-24.)

11 Section 99. Effective date. This Act takes effect upon  
12 becoming law.