



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB3128

Introduced 2/18/2025, by Rep. Amy Elik

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

35 ILCS 735/3-3.5 new

Amends the Illinois Income Tax Act. Creates an income tax deduction for 50% of the amount contributed by the taxpayer to a small business asset purchase account during the tax year, but not to exceed \$50,000 per taxpayer in any tax year. Defines "small business asset purchase account". Provides an addition modification for 50% of the amount that is withdrawn by the taxpayer from a small business asset purchase account during the taxable year. Amends the Uniform Penalty and Interest Act to establish a penalty for improper use of moneys in a small business asset purchase account.

LRB104 05547 HLH 15577 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)

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 (D-26) For taxable years beginning on or after
12 January 1, 2026, 50% of the amount that is withdrawn by
13 the taxpayer from a small business asset purchase
14 account during the taxable year;

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

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

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

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

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

8 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 deducted on the taxpayer's federal income tax return;

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

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

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

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

1 Tuition Trust Fund, except that amounts excluded from
2 gross income under Section 529(c)(3)(C)(i) of the
3 Internal Revenue Code shall not be considered moneys
4 contributed under this subparagraph (Y). For purposes
5 of this subparagraph, contributions made by an
6 employer on behalf of an employee, or matching
7 contributions made by an employee, shall be treated as
8 made by the employee. This subparagraph (Y) is exempt
9 from the provisions of Section 250;

10 (Z) 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 (Z) is exempt from the provisions of
12 Section 250;

13 (AA) 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 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 (Z) and for which the taxpayer was
22 required in any taxable year to make an addition
23 modification under subparagraph (D-15), 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 (AA) is exempt from the
3 provisions of Section 250;

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

7 (CC) The amount of (i) any interest income (net of
8 the deductions allocable thereto) taken into account
9 for the taxable year with respect to a transaction
10 with a taxpayer that is required to make an addition
11 modification with respect to such transaction under
12 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
13 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
14 the amount of that addition modification, and (ii) any
15 income from intangible property (net of the deductions
16 allocable thereto) taken into account for the taxable
17 year with respect to a transaction with a taxpayer
18 that is required to make an addition modification with
19 respect to such transaction under Section
20 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
21 203(d)(2)(D-8), but not to exceed the amount of that
22 addition modification. This subparagraph (CC) is
23 exempt from the provisions of Section 250;

24 (DD) An amount equal to the interest income taken
25 into account for the taxable year (net of the
26 deductions allocable thereto) with respect to

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

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

1 taxable years ending on or after December 31, 2008, 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, but
8 not to exceed the addition modification required to be
9 made for the same taxable year under Section
10 203(a)(2)(D-18) for intangible expenses and costs
11 paid, accrued, or incurred, directly or indirectly, to
12 the same foreign person. This subparagraph (EE) is
13 exempt from the provisions of Section 250;

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

20 (GG) For taxable years ending on or after December
21 31, 2011, in the case of a taxpayer who was required to
22 add back any insurance premiums under Section
23 203(a)(2)(D-19), such taxpayer may elect to subtract
24 that part of a reimbursement received from the
25 insurance company equal to the amount of the expense
26 or loss (including expenses incurred by the insurance

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

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

22 (II) For taxable years that begin on or after
23 January 1, 2021 and begin before January 1, 2026, the
24 amount that is included in the taxpayer's federal
25 adjusted gross income pursuant to Section 61 of the
26 Internal Revenue Code as discharge of indebtedness

1 attributable to student loan forgiveness and that is
2 not excluded from the taxpayer's federal adjusted
3 gross income pursuant to paragraph (5) of subsection
4 (f) of Section 108 of the Internal Revenue Code;

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

18 (KK) To the extent includible in gross income for
19 federal income tax purposes, any amount awarded or
20 paid to the taxpayer as a result of a judgment or
21 settlement for fertility fraud as provided in Section
22 15 of the Illinois Fertility Fraud Act, donor
23 fertility fraud as provided in Section 20 of the
24 Illinois Fertility Fraud Act, or similar action in
25 another state; ~~and~~

26 (LL) For taxable years beginning on or after

1 January 1, 2026, if the taxpayer is a qualified
2 worker, as defined in the Workforce Development
3 through Charitable Loan Repayment Act, an amount equal
4 to the amount included in the taxpayer's federal
5 adjusted gross income that is attributable to student
6 loan repayment assistance received by the taxpayer
7 during the taxable year from a qualified community
8 foundation under the provisions of the Workforce
9 Development ~~through~~ ~~Through~~ Charitable Loan Repayment
10 Act.

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

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

23 (NN) For taxable years beginning on or after
24 January 1, 2026, 50% of the amount contributed by the
25 taxpayer to a small business asset purchase account
26 during the tax year, but not to exceed \$50,000 per

1 taxpayer in any tax year; as used in this subparagraph
2 (LL), "small business asset purchase account" means an
3 account established by a taxpayer that is held
4 separately from other accounts of the taxpayer and the
5 proceeds of which are used to purchase property that
6 is used primarily in Illinois and for which a federal
7 income tax deduction is claimed under Section 179 of
8 the Internal Revenue Code.

9 (b) Corporations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

1 to the application or use of an alternative method
2 of apportionment under Section 304(f).

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

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

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

1 subparagraph, "intangible property" includes patents,
2 patent applications, trade names, trademarks, service
3 marks, copyrights, mask works, trade secrets, and
4 similar types of intangible assets.

5 This paragraph shall not apply to the following:

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

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

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

22 (b) the transaction giving rise to the
23 intangible expense or cost between the
24 taxpayer and the person did not have as a
25 principal purpose the avoidance of Illinois
26 income tax, and is paid pursuant to a contract

1 or agreement that reflects arm's-length terms;

2 or

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

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

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

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

22 (E-15) For taxable years beginning after December
23 31, 2008, any deduction for dividends paid by a
24 captive real estate investment trust that is allowed
25 to a real estate investment trust under Section
26 857(b)(2)(B) of the Internal Revenue Code for

1 dividends paid;

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

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

10 (E-18) for taxable years beginning after December
11 31, 2018, an amount equal to the deduction allowed
12 under Section 250(a)(1)(A) of the Internal Revenue
13 Code for the taxable year;

14 (E-19) for taxable years ending on or after June
15 30, 2021, an amount equal to the deduction allowed
16 under Section 250(a)(1)(B)(i) of the Internal Revenue
17 Code for the taxable year;

18 (E-20) for taxable years ending on or after June
19 30, 2021, an amount equal to the deduction allowed
20 under Sections 243(e) and 245A(a) of the Internal
21 Revenue Code for the taxable year;

22 (E-21) the amount that is claimed as a federal
23 deduction when computing the taxpayer's federal
24 taxable income for the taxable year and that is
25 attributable to an endowment gift for which the
26 taxpayer receives a credit under the Illinois Gives

1 Tax Credit Act;

2 (E-22) For taxable years beginning on or after
3 January 1, 2026, 50% of the amount that is withdrawn by
4 the taxpayer from a small business asset purchase
5 account during the taxable year;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (O) An amount equal to: (i) 85% for taxable years

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

1 would but for the provisions of Section 1504(b)(3) of
2 the Internal Revenue Code be treated as a member of the
3 affiliated group which includes the dividend
4 recipient, exceed the amount of the modification
5 provided under subparagraph (G) of paragraph (2) of
6 this subsection (b) which is related to such
7 dividends. For taxable years ending on or after June
8 30, 2021, (i) for purposes of this subparagraph, the
9 term "dividend" does not include any amount treated as
10 a dividend under Section 1248 of the Internal Revenue
11 Code, and (ii) this subparagraph shall not apply to
12 dividends for which a deduction is allowed under
13 Section 245(a) of the Internal Revenue Code. This
14 subparagraph (O) is exempt from the provisions of
15 Section 250 of this Act;

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

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

24 (R) On and after July 20, 1999, in the case of an
25 attorney-in-fact with respect to whom an interinsurer
26 or a reciprocal insurer has made the election under

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

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

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

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

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

12 (3) for taxable years ending after December
13 31, 2005:

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

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

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

1 depreciation deduction that would be allowed
2 on that property if the taxpayer had made the
3 election under Section 168(k)(7) of the
4 Internal Revenue Code to not claim bonus
5 depreciation on that property; and

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

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

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

1 modification under subparagraph (E-10), then an amount
2 equal to that addition modification.

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

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

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

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

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

14 (W) 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 that the foreign person's business
20 activity outside the United States is 80% or more of
21 that person's total business activity and (ii) for
22 taxable years ending on or after December 31, 2008, to
23 a person who would be a member of the same unitary
24 business group but for the fact that the person is
25 prohibited under Section 1501(a)(27) from being
26 included in the unitary business group because he or

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

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

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

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

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

1 provisions of Section 250; ~~and~~

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

15 (BB) For taxable years beginning on or after
16 January 1, 2026, 50% of the amount contributed by the
17 taxpayer to a small business asset purchase account
18 during the tax year, but not to exceed \$50,000 per
19 taxpayer in any tax year; as used in this subparagraph
20 (BB), "small business asset purchase account" means an
21 account established by a taxpayer that is held
22 separately from other accounts of the taxpayer and the
23 proceeds of which are used to purchase property that
24 is used primarily in Illinois and for which a federal
25 income tax deduction is claimed under Section 179 of
26 the Internal Revenue Code.

1 (3) Special rule. For purposes of paragraph (2)(A),
2 "gross income" in the case of a life insurance company,
3 for tax years ending on and after December 31, 1994, and
4 prior to December 31, 2011, shall mean the gross
5 investment income for the taxable year and, for tax years
6 ending on or after December 31, 2011, shall mean all
7 amounts included in life insurance gross income under
8 Section 803(a)(3) of the Internal Revenue Code.

9 (c) Trusts and estates.

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

13 (2) Modifications. Subject to the provisions of
14 paragraph (3), the taxable income referred to in paragraph
15 (1) shall be modified by adding thereto the sum of the
16 following amounts:

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

21 (B) In the case of (i) an estate, \$600; (ii) a
22 trust which, under its governing instrument, is
23 required to distribute all of its income currently,
24 \$300; and (iii) any other trust, \$100, but in each such
25 case, only to the extent such amount was deducted in

1 the computation of taxable income;

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

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

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

20 (i) the addition modification relating to the
21 net operating loss carried back or forward to the
22 taxable year from any taxable year ending prior to
23 December 31, 1986 shall be reduced by the amount
24 of addition modification under this subparagraph
25 (E) which related to that net operating loss and
26 which was taken into account in calculating the

1 base income of an earlier taxable year, and

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

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

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

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

24 (G-5) For taxable years ending after December 31,
25 1997, an amount equal to any eligible remediation
26 costs that the trust or estate deducted in computing

1 adjusted gross income and for which the trust or
2 estate claims a credit under subsection (l) of Section
3 201;

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

9 (G-11) 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 (G-10), then
13 an amount equal to the aggregate amount of the
14 deductions taken in all taxable years under
15 subparagraph (R) with respect to that property.

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

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

26 (G-12) An amount equal to the amount otherwise

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

1 This paragraph shall not apply to the following:

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

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

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

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

23 (iii) the taxpayer can establish, based on
24 clear and convincing evidence, that the interest
25 paid, accrued, or incurred relates to a contract
26 or agreement entered into at arm's-length rates

1 and terms and the principal purpose for the
2 payment is not federal or Illinois tax avoidance;
3 or

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

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

20 (G-13) An amount equal to the amount of intangible
21 expenses and costs otherwise allowed as a deduction in
22 computing base income, and that were paid, accrued, or
23 incurred, directly or indirectly, (i) for taxable
24 years ending on or after December 31, 2004, to a
25 foreign person who would be a member of the same
26 unitary business group but for the fact that the

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

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

13 This paragraph shall not apply to the following:

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

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

26 (a) the person during the same taxable

1 year paid, accrued, or incurred, the
2 intangible expense or cost to a person that is
3 not a related member, and

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

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

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

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

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

1 the addition modification required under Section
2 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this
3 Act;

4 (G-15) 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 (G-16) 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 (G-17) the amount that is claimed as a federal
13 deduction when computing the taxpayer's federal
14 taxable income for the taxable year and that is
15 attributable to an endowment gift for which the
16 taxpayer receives a credit under the Illinois Gives
17 Tax Credit Act;

18 (G-18) For taxable years beginning on or after
19 January 1, 2026, 50% of the amount that is withdrawn by
20 the taxpayer from a small business asset purchase
21 account during the taxable year;

22 and by deducting from the total so obtained the sum of the
23 following amounts:

24 (H) An amount equal to all amounts included in
25 such total pursuant to the provisions of Sections
26 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408

1 of the Internal Revenue Code or included in such total
2 as distributions under the provisions of any
3 retirement or disability plan for employees of any
4 governmental agency or unit, or retirement payments to
5 retired partners, which payments are excluded in
6 computing net earnings from self employment by Section
7 1402 of the Internal Revenue Code and regulations
8 adopted pursuant thereto;

9 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

14 (Q) For taxable year 1999 and thereafter, an
15 amount equal to the amount of any (i) distributions,
16 to the extent includible in gross income for federal
17 income tax purposes, made to the taxpayer because of
18 his or her status as a victim of persecution for racial
19 or religious reasons by Nazi Germany or any other Axis
20 regime or as an heir of the victim and (ii) items of
21 income, to the extent includible in gross income for
22 federal income tax purposes, attributable to, derived
23 from or in any way related to assets stolen from,
24 hidden from, or otherwise lost to a victim of
25 persecution for racial or religious reasons by Nazi
26 Germany or any other Axis regime immediately prior to,

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

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

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

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

12 (3) for taxable years ending after December
13 31, 2005:

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

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

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

1 depreciation deduction that would be allowed
2 on that property if the taxpayer had made the
3 election under Section 168(k)(7) of the
4 Internal Revenue Code to not claim bonus
5 depreciation on that property; and

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

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

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

1 modification under subparagraph (G-10), then an amount
2 equal to that addition modification.

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

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

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

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

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

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

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

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

21 (W) in the case of an estate, an amount equal to
22 all amounts included in such total pursuant to the
23 provisions of Section 111 of the Internal Revenue Code
24 as a recovery of items previously deducted by the
25 decedent from adjusted gross income in the computation
26 of taxable income. This subparagraph (W) is exempt

1 from Section 250;

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

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

23 (Z) For taxable years beginning after December 31,
24 2018 and before January 1, 2026, the amount of excess
25 business loss of the taxpayer disallowed as a
26 deduction by Section 461(1)(1)(B) of the Internal

1 Revenue Code; ~~and~~

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

15 (BB) For taxable years beginning on or after
16 January 1, 2026, 50% of the amount contributed by the
17 taxpayer to a small business asset purchase account
18 during the tax year, but not to exceed \$50,000 per
19 taxpayer in any tax year; as used in this subparagraph
20 (BB), "small business asset purchase account" means an
21 account established by a taxpayer that is held
22 separately from other accounts of the taxpayer and the
23 proceeds of which are used to purchase property that
24 is used primarily in Illinois and for which a federal
25 income tax deduction is claimed under Section 179 of
26 the Internal Revenue Code.

1 (3) Limitation. The amount of any modification
2 otherwise required under this subsection shall, under
3 regulations prescribed by the Department, be adjusted by
4 any amounts included therein which were properly paid,
5 credited, or required to be distributed, or permanently
6 set aside for charitable purposes pursuant to Internal
7 Revenue Code Section 642(c) during the taxable year.

8 (d) Partnerships.

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

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

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

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

22 (C) The amount of deductions allowed to the
23 partnership pursuant to Section 707 (c) of the
24 Internal Revenue Code in calculating its taxable
25 income;

1 (D) An amount equal to the amount of the capital
2 gain deduction allowable under the Internal Revenue
3 Code, to the extent deducted from gross income in the
4 computation of taxable income;

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

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

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

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

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

1 accrued, or incurred.

2 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) the taxpayer can establish, based on
25 clear and convincing evidence, that the interest
26 paid, accrued, or incurred relates to a contract

1 or agreement entered into at arm's-length rates
2 and terms and the principal purpose for the
3 payment is not federal or Illinois tax avoidance;
4 or

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

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

21 (D-8) An amount equal to the amount of intangible
22 expenses and costs otherwise allowed as a deduction in
23 computing base income, and that were paid, accrued, or
24 incurred, directly or indirectly, (i) for taxable
25 years ending on or after December 31, 2004, to a
26 foreign person who would be a member of the same

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

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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

1 extent that the same dividends caused a reduction to
2 the addition modification required under Section
3 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

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

18 (D-13) For taxable years beginning on or after
19 January 1, 2026, 50% of the amount that is withdrawn by
20 the taxpayer from a small business asset purchase
21 account during the taxable year;

22 and by deducting from the total so obtained the following
23 amounts:

24 (E) The valuation limitation amount;

25 (F) An amount equal to the amount of any tax
26 imposed by this Act which was refunded to the taxpayer

1 and included in such total for the taxable year;

2 (G) An amount equal to all amounts included in
3 taxable income as modified by subparagraphs (A), (B),
4 (C) and (D) which are exempt from taxation by this
5 State either by reason of its statutes or Constitution
6 or by reason of the Constitution, treaties or statutes
7 of the United States; provided that, in the case of any
8 statute of this State that exempts income derived from
9 bonds or other obligations from the tax imposed under
10 this Act, the amount exempted shall be the interest
11 net of bond premium amortization;

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

20 (I) An amount equal to all amounts of income
21 distributable to an entity subject to the Personal
22 Property Tax Replacement Income Tax imposed by
23 subsections (c) and (d) of Section 201 of this Act
24 including amounts distributable to organizations
25 exempt from federal income tax by reason of Section
26 501(a) of the Internal Revenue Code; this subparagraph

1 (I) is exempt from the provisions of Section 250;

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

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

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

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

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

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

24 (1) "y" equals the amount of the depreciation
25 deduction taken for the taxable year on the
26 taxpayer's federal income tax return on property

1 for which the bonus depreciation deduction was
2 taken in any year under subsection (k) of Section
3 168 of the Internal Revenue Code, but not
4 including the bonus depreciation deduction;

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

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

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

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

20 (iii) for property on which a bonus
21 depreciation deduction of 100% of the adjusted
22 basis was taken in a taxable year ending on or
23 after December 31, 2021, "x" equals the
24 depreciation deduction that would be allowed
25 on that property if the taxpayer had made the
26 election under Section 168(k)(7) of the

1 Internal Revenue Code to not claim bonus
2 depreciation on that property; and

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

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

21 (P) If the taxpayer sells, transfers, abandons, or
22 otherwise disposes of property for which the taxpayer
23 was required in any taxable year to make an addition
24 modification under subparagraph (D-5), then an amount
25 equal to that addition modification.

26 If the taxpayer continues to own property through

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

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

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

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

1 addition modification. This subparagraph (Q) is exempt
2 from Section 250;

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

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

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

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

1 expense or loss had been uninsured. If a taxpayer
2 makes the election provided for by this subparagraph
3 (T), the insurer to which the premiums were paid must
4 add back to income the amount subtracted by the
5 taxpayer pursuant to this subparagraph (T). This
6 subparagraph (T) is exempt from the provisions of
7 Section 250; ~~and~~

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

21 (V) For taxable years beginning on or after
22 January 1, 2026, 50% of the amount contributed by the
23 taxpayer to a small business asset purchase account
24 during the tax year, but not to exceed \$50,000 per
25 taxpayer in any tax year; as used in this subparagraph
26 (V), "small business asset purchase account" means an

1 account established by a taxpayer that is held
2 separately from other accounts of the taxpayer and the
3 proceeds of which are used to purchase property that
4 is used primarily in Illinois and for which a federal
5 income tax deduction is claimed under Section 179 of
6 the Internal Revenue Code.

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

8 (1) In general. Subject to the provisions of paragraph
9 (2) and subsection (b) (3), for purposes of this Section
10 and Section 803(e), a taxpayer's gross income, adjusted
11 gross income, or taxable income for the taxable year shall
12 mean the amount of gross income, adjusted gross income or
13 taxable income properly reportable for federal income tax
14 purposes for the taxable year under the provisions of the
15 Internal Revenue Code. Taxable income may be less than
16 zero. However, for taxable years ending on or after
17 December 31, 1986, net operating loss carryforwards from
18 taxable years ending prior to December 31, 1986, may not
19 exceed the sum of federal taxable income for the taxable
20 year before net operating loss deduction, plus the excess
21 of addition modifications over subtraction modifications
22 for the taxable year. For taxable years ending prior to
23 December 31, 1986, taxable income may never be an amount
24 in excess of the net operating loss for the taxable year as
25 defined in subsections (c) and (d) of Section 172 of the

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

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

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

25 (B) Certain other insurance companies. In the case
26 of mutual insurance companies subject to the tax

1 imposed by Section 831 of the Internal Revenue Code,
2 insurance company taxable income;

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

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

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

24 (F) Cooperatives. In the case of a cooperative
25 corporation or association, the taxable income of such
26 organization determined in accordance with the

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

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

3 (G) Subchapter S corporations. In the case of: (i)
4 a Subchapter S corporation for which there is in
5 effect an election for the taxable year under Section
6 1362 of the Internal Revenue Code, the taxable income
7 of such corporation determined in accordance with
8 Section 1363(b) of the Internal Revenue Code, except
9 that taxable income shall take into account those
10 items which are required by Section 1363(b)(1) of the
11 Internal Revenue Code to be separately stated; and
12 (ii) a Subchapter S corporation for which there is in
13 effect a federal election to opt out of the provisions
14 of the Subchapter S Revision Act of 1982 and have
15 applied instead the prior federal Subchapter S rules
16 as in effect on July 1, 1982, the taxable income of
17 such corporation determined in accordance with the
18 federal Subchapter S rules as in effect on July 1,
19 1982; and

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

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

18 (f) Valuation limitation amount.

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

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

1 which such gain was reported for the taxable year;
2 plus

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

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

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

23 (B) If the fair market value of property referred
24 to in paragraph (1) was not readily ascertainable on
25 August 1, 1969, the pre-August 1, 1969 appreciation
26 amount for such property is that amount which bears

1 the same ratio to the total gain reported in respect of
2 the property for federal income tax purposes for the
3 taxable year, as the number of full calendar months in
4 that part of the taxpayer's holding period for the
5 property ending July 31, 1969 bears to the number of
6 full calendar months in the taxpayer's entire holding
7 period for the property.

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

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

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

23 (Source: P.A. 102-16, eff. 6-17-21; 102-558, eff. 8-20-21;
24 102-658, eff. 8-27-21; 102-813, eff. 5-13-22; 102-1112, eff.

1 12-21-22; 103-8, eff. 6-7-23; 103-478, eff. 1-1-24; 103-592,
2 Article 10, Section 10-900, eff. 6-7-24; 103-592, Article 170,
3 Section 170-90, eff. 6-7-24; 103-605, eff. 7-1-24; 103-647,
4 eff. 7-1-24; revised 8-20-24.)

5 Section 10. The Uniform Penalty and Interest Act is
6 amended by adding Section 3-3.5 as follows:

7 (35 ILCS 735/3-3.5 new)

8 Sec. 3-3.5. Penalty for improper use of proceeds of Small
9 Business Asset Purchase Account. A penalty of 10% of the
10 amount withdrawn from a small business asset purchase account,
11 as defined in Section 203 of the Illinois Income Tax Act,
12 during a tax year that is used for purchases of property for
13 which a deduction under Section 179 of the Internal Revenue
14 Code is not claimed for the tax year in which the amount is
15 withdrawn, or purchases of property for which the deduction
16 under Section 179 of the Internal Revenue Code is claimed that
17 is not used primarily in Illinois.