



## 104TH GENERAL ASSEMBLY

### State of Illinois

### 2025 and 2026

#### HB4195

Introduced 10/31/2025, by Rep. Brandun Schweizer

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Provides for an income tax deduction in an amount equal to the amount included in the taxpayer's federal adjusted gross income for the taxable year from the taxpayer's service as a full-time law enforcement officer in the State or a full-time firefighter in the State during the taxable year. Effective immediately.

LRB104 15489 HLH 28649 b

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 in gross income under Section 78 of the Internal  
2 Revenue Code) with respect to the stock of the same  
3 person to whom the interest was paid, accrued, or  
4 incurred. For taxable years ending on and after  
5 December 31, 2025, for purposes of applying this  
6 paragraph in the case of a taxpayer to which Section  
7 163(j) of the Internal Revenue Code applies for the  
8 taxable year, the reduction in the amount of interest  
9 for which a deduction is allowed by reason of Section  
10 163(j) shall be treated as allocable first to persons  
11 who are not foreign persons referred to in this  
12 paragraph and then to such foreign persons.

13 For taxable years ending before December 31, 2025,  
14 this paragraph shall not apply to the following:

15 (i) an item of interest paid, accrued, or  
16 incurred, directly or indirectly, to 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 interest; or

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

26 (a) the person, during the same taxable

1           year, paid, accrued, or incurred, the interest  
2           to a person that is not a related member, and

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

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

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

24          For taxable years ending on or after December 31,  
25          2025, this paragraph shall not apply to the following:

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

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

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

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

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

24 For taxable years ending before December 31, 2025,  
25 this paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

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

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

6 For taxable years ending on or after December 31,  
7 2025, this paragraph shall not apply to the following:

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

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

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

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

1           the taxpayer establishes by clear and convincing  
2           evidence, that the adjustments are unreasonable;  
3           or if the taxpayer and the Director agree in  
4           writing to the application or use of an  
5           alternative method of apportionment under Section  
6           304(f).

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

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

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

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

1 January 1, 2007, in the case of a distribution from a  
2 qualified tuition program under Section 529 of the  
3 Internal Revenue Code, other than (i) a distribution  
4 from a College Savings Pool created under Section 16.5  
5 of the State Treasurer Act, (ii) a distribution from  
6 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
7 distribution from a qualified tuition program under  
8 Section 529 of the Internal Revenue Code that (I)  
9 adopts and determines that its offering materials  
10 comply with the College Savings Plans Network's  
11 disclosure principles and (II) has made reasonable  
12 efforts to inform in-state residents of the existence  
13 of in-state qualified tuition programs by informing  
14 Illinois residents directly and, where applicable, to  
15 inform financial intermediaries distributing the  
16 program to inform in-state residents of the existence  
17 of in-state qualified tuition programs at least  
18 annually, an amount equal to the amount excluded from  
19 gross income under Section 529(c)(3)(B).

20 For the purposes of this subparagraph (D-20), a  
21 qualified tuition program has made reasonable efforts  
22 if it makes disclosures (which may use the term  
23 "in-state program" or "in-state plan" and need not  
24 specifically refer to Illinois or its qualified  
25 programs by name) (i) directly to prospective  
26 participants in its offering materials or makes a

1 public disclosure, such as a website posting; and (ii)  
2 where applicable, to intermediaries selling the  
3 out-of-state program in the same manner that the  
4 out-of-state program distributes its offering  
5 materials;

6 (D-20.5) For taxable years beginning on or after  
7 January 1, 2018, in the case of a distribution from a  
8 qualified ABLE program under Section 529A of the  
9 Internal Revenue Code, other than a distribution from  
10 a qualified ABLE program created under Section 16.6 of  
11 the State Treasurer Act, an amount equal to the amount  
12 excluded from gross income under Section 529A(c) (1) (B)  
13 of the Internal Revenue Code;

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

21 (D-21.5) For taxable years beginning on or after  
22 January 1, 2018, in the case of the transfer of moneys  
23 from a qualified tuition program under Section 529 or  
24 a qualified ABLE program under Section 529A of the  
25 Internal Revenue Code that is administered by this  
26 State to an ABLE account established under an

1 out-of-state ABLE account program, an amount equal to  
2 the contribution component of the transferred amount  
3 that was previously deducted from base income under  
4 subsection (a)(2)(Y) or subsection (a)(2)(HH) of this  
5 Section;

6 (D-22) For taxable years beginning on or after  
7 January 1, 2009, and prior to January 1, 2018, in the  
8 case of a nonqualified withdrawal or refund of moneys  
9 from a qualified tuition program under Section 529 of  
10 the Internal Revenue Code administered by the State  
11 that is not used for qualified expenses at an eligible  
12 education institution, an amount equal to the  
13 contribution component of the nonqualified withdrawal  
14 or refund that was previously deducted from base  
15 income under subsection (a)(2)(y) of this Section,  
16 provided that the withdrawal or refund did not result  
17 from the beneficiary's death or disability. For  
18 taxable years beginning on or after January 1, 2018:  
19 (1) in the case of a nonqualified withdrawal or  
20 refund, as defined under Section 16.5 of the State  
21 Treasurer Act, of moneys from a qualified tuition  
22 program under Section 529 of the Internal Revenue Code  
23 administered by the State, an amount equal to the  
24 contribution component of the nonqualified withdrawal  
25 or refund that was previously deducted from base  
26 income under subsection (a)(2)(Y) of this Section, and

1           (2) in the case of a nonqualified withdrawal or refund  
2           from a qualified ABLE program under Section 529A of  
3           the Internal Revenue Code administered by the State  
4           that is not used for qualified disability expenses, an  
5           amount equal to the contribution component of the  
6           nonqualified withdrawal or refund that was previously  
7           deducted from base income under subsection (a) (2) (HH)  
8           of this Section;

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

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

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

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

22          (E) For taxable years ending before December 31,  
23          2001, any amount included in such total in respect of  
24          any compensation (including but not limited to any  
25          compensation paid or accrued to a serviceman while a  
26          prisoner of war or missing in action) paid to a

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

1 of Section 250;

2 (F) An amount equal to all amounts included in  
3 such total pursuant to the provisions of Sections  
4 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
5 408 of the Internal Revenue Code, or included in such  
6 total as distributions under the provisions of any  
7 retirement or disability plan for employees of any  
8 governmental agency or unit, or retirement payments to  
9 retired partners, which payments are excluded in  
10 computing net earnings from self employment by Section  
11 1402 of the Internal Revenue Code and regulations  
12 adopted pursuant thereto;

13 (G) The valuation limitation amount;

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

17 (I) An amount equal to all amounts included in  
18 such total pursuant to the provisions of Section 111  
19 of the Internal Revenue Code as a recovery of items  
20 previously deducted from adjusted gross income in the  
21 computation of taxable income;

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

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

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

13 (L) For taxable years ending after December 31,  
14 1983, an amount equal to all social security benefits  
15 and railroad retirement benefits included in such  
16 total pursuant to Sections 72(r) and 86 of the  
17 Internal Revenue Code;

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

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

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

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

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

1 taxable income for restoration of substantial amounts  
2 held under claim of right for the taxable year;

3 (Q) An amount equal to any amounts included in  
4 such total, received by the taxpayer as an  
5 acceleration in the payment of life, endowment or  
6 annuity benefits in advance of the time they would  
7 otherwise be payable as an indemnity for a terminal  
8 illness;

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

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

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

26 (U) For one taxable year beginning on or after

1 January 1, 1994, an amount equal to the total amount of  
2 tax imposed and paid under subsections (a) and (b) of  
3 Section 201 of this Act on grant amounts received by  
4 the taxpayer under the Nursing Home Grant Assistance  
5 Act during the taxpayer's taxable years 1992 and 1993;

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

1           determined by multiplying total health insurance and  
2           long-term care insurance premiums paid by the taxpayer  
3           times a number that represents the fractional  
4           percentage of eligible medical expenses under Section  
5           213 of the Internal Revenue Code of 1986 not actually  
6           deducted on the taxpayer's federal income tax return;

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

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

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

20 (Y) For taxable years beginning on or after  
21 January 1, 2002 and ending on or before December 31,  
22 2004, moneys contributed in the taxable year to a  
23 College Savings Pool account under Section 16.5 of the  
24 State Treasurer Act, except that amounts excluded from  
25 gross income under Section 529(c)(3)(C)(i) of the  
26 Internal Revenue Code shall not be considered moneys

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

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

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

1 including the bonus depreciation deduction;

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

6 (3) for taxable years ending after December  
7 31, 2005:

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

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

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

26 (iv) for property on which a bonus

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

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

18 (AA) If the taxpayer sells, transfers, abandons,  
19 or otherwise disposes of property for which the  
20 taxpayer was required in any taxable year to make an  
21 addition modification under subparagraph (D-15), then  
22 an amount equal to that addition modification.

23 If the taxpayer continues to own property through  
24 the last day of the last tax year for which a  
25 subtraction is allowed with respect to that property  
26 under subparagraph (Z) and for which the taxpayer was

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

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

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

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

12 (CC) The amount of (i) any interest income (net of  
13 the deductions allocable thereto) taken into account  
14 for the taxable year with respect to a transaction  
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 that addition modification, and (ii) any  
20 income from intangible property (net of the deductions  
21 allocable thereto) taken into account for the taxable  
22 year with respect to a transaction with a taxpayer  
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 that

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

3 (DD) An amount equal to the interest income taken  
4 into account for the taxable year (net of the  
5 deductions allocable thereto) with respect to  
6 transactions with (i) a foreign person who would be a  
7 member of the taxpayer's unitary business group but  
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(a)(2)(D-17) for interest paid, accrued, or  
21 incurred, directly or indirectly, to the same person.  
22 This subparagraph (DD) is exempt from the provisions  
23 of Section 250;

24 (EE) An amount equal to the income from intangible  
25 property taken into account for the taxable year (net  
26 of the 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-18) for intangible expenses and costs  
16 paid, accrued, or incurred, directly or indirectly, to  
17 the same foreign person. This subparagraph (EE) is  
18 exempt from the provisions of Section 250;

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

25 (GG) For taxable years ending on or after December  
26 31, 2011, in the case of a taxpayer who was required to

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

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

1           (II) For taxable years that begin on or after  
2           January 1, 2021 and begin before January 1, 2026, the  
3           amount that is included in the taxpayer's federal  
4           adjusted gross income pursuant to Section 61 of the  
5           Internal Revenue Code as discharge of indebtedness  
6           attributable to student loan forgiveness and that is  
7           not excluded from the taxpayer's federal adjusted  
8           gross income pursuant to paragraph (5) of subsection  
9           (f) of Section 108 of the Internal Revenue Code;

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

23          (KK) To the extent includible in gross income for  
24          federal income tax purposes, any amount awarded or  
25          paid to the taxpayer as a result of a judgment or  
26          settlement for fertility fraud as provided in Section

1           15 of the Illinois Fertility Fraud Act, donor  
2           fertility fraud as provided in Section 20 of the  
3           Illinois Fertility Fraud Act, or similar action in  
4           another state;

5           (LL) For taxable years beginning on or after  
6           January 1, 2026, if the taxpayer is a qualified  
7           worker, as defined in the Workforce Development  
8           through Charitable Loan Repayment Act, an amount equal  
9           to the amount included in the taxpayer's federal  
10          adjusted gross income that is attributable to student  
11          loan repayment assistance received by the taxpayer  
12          during the taxable year from a qualified community  
13          foundation under the provisions of the Workforce  
14          Development through Charitable Loan Repayment Act.

15          This subparagraph (LL) is exempt from the  
16          provisions of Section 250; ~~and~~

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

1           (NN) For taxable years beginning on or after  
2           January 1, 2026, an amount equal to the amount  
3           included in the taxpayer's federal adjusted gross  
4           income for the taxable year from the taxpayer's  
5           service as a full-time law enforcement officer in the  
6           State or a full-time firefighter in the State during  
7           the taxable year; as used in this subparagraph (NN),  
8           "law enforcement officer" means any person employed by  
9           the State, a county, a municipality, or a township as a  
10           policeman, a peace officer, or in some like position  
11           involving the enforcement of the law and protection of  
12           the public interest at the risk of that person's life;  
13           this subparagraph (NN) is exempt from the provisions  
14           of Section 250.

15           (b) Corporations.

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

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

22                   (A) An amount equal to all amounts paid or accrued  
23                   to the taxpayer as interest and all distributions  
24                   received from regulated investment companies during  
25                   the taxable year to the extent excluded from gross

1 income in the computation of taxable income;

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

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

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

20 (E) For taxable years in which a net operating  
21 loss carryback or carryforward from a taxable year  
22 ending prior to December 31, 1986 is an element of  
23 taxable income under paragraph (1) of subsection (e)  
24 or subparagraph (E) of paragraph (2) of subsection  
25 (e), the amount by which addition modifications other  
26 than those provided by this subparagraph (E) exceeded

1 subtraction modifications in such earlier taxable  
2 year, with the following limitations applied in the  
3 order that they are listed:

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

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

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

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

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

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

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

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

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

25 (E-12) An amount equal to the amount otherwise  
26 allowed as a deduction in computing base income for

1 interest paid, accrued, or incurred, directly or  
2 indirectly, (i) for taxable years ending on or after  
3 December 31, 2004, to a foreign person who would be a  
4 member of the same unitary business group but for the  
5 fact the foreign person's business activity outside  
6 the United States is 80% or more of the foreign  
7 person's total business activity and (ii) for taxable  
8 years ending on or after December 31, 2008, to a person  
9 who would be a member of the same unitary business  
10 group but for the fact that the person is prohibited  
11 under Section 1501(a)(27) from being included in the  
12 unitary business group because he or she is ordinarily  
13 required to apportion business income under different  
14 subsections of Section 304. The addition modification  
15 required by this subparagraph shall be reduced to the  
16 extent that dividends were included in base income of  
17 the unitary group for the same taxable year and  
18 received by the taxpayer or by a member of the  
19 taxpayer's unitary business group (including amounts  
20 included in gross income pursuant to Sections 951  
21 through 964 of the Internal Revenue Code and amounts  
22 included in gross income under Section 78 of the  
23 Internal Revenue Code) with respect to the stock of  
24 the same person to whom the interest was paid,  
25 accrued, or incurred. For taxable years ending on and  
26 after December 31, 2025, for purposes of applying this

1 paragraph in the case of a taxpayer to which Section  
2 163(j) of the Internal Revenue Code applies for the  
3 taxable year, the reduction in the amount of interest  
4 for which a deduction is allowed by reason of Section  
5 163(j) shall be treated as allocable first to persons  
6 who are not foreign persons referred to in this  
7 paragraph and then to such foreign persons.

8 For taxable years ending before December 31, 2025,  
9 this paragraph shall not apply to the following:

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

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

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

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

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

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

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

19 For taxable years ending on or after December 31,  
20 2025, this paragraph shall not apply to the following:

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

26 (a) the person, during the same taxable

1 year, paid, accrued, or incurred, the interest  
2 to a person that is not a related member, and

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

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

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

26 (E-13) An amount equal to the amount of intangible

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

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

19 For taxable years ending before December 31, 2025,  
20 this paragraph shall not apply to the following:

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

1 with respect to such item; or

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

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

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

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

1           For taxable years ending on or after December 31,  
2           2025, this paragraph shall not apply to the following:

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

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

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

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

1           304(f) .

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

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

1 (including amounts included in gross income under  
2 Sections 951 through 964 of the Internal Revenue Code  
3 and amounts included in gross income under Section 78  
4 of the Internal Revenue Code) with respect to the  
5 stock of the same person to whom the premiums and costs  
6 were directly or indirectly paid, incurred, or  
7 accrued. The preceding sentence does not apply to the  
8 extent that the same dividends caused a reduction to  
9 the addition modification required under Section  
10 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
11 Act;

12 (E-15) For taxable years beginning after December  
13 31, 2008, any deduction for dividends paid by a  
14 captive real estate investment trust that is allowed  
15 to a real estate investment trust under Section  
16 857(b)(2)(B) of the Internal Revenue Code for  
17 dividends paid;

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

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

26 (E-18) for taxable years beginning after December

1           31, 2018, an amount equal to the deduction allowed  
2           under Section 250(a)(1)(A) of the Internal Revenue  
3           Code for the taxable year;

4           (E-19) for taxable years ending on or after June  
5           30, 2021, an amount equal to the deduction allowed  
6           under Section 250(a)(1)(B)(i) of the Internal Revenue  
7           Code for the taxable year;

8           (E-20) for taxable years ending on or after June  
9           30, 2021, an amount equal to the deduction allowed  
10          under Sections 243(e) and 245A(a) of the Internal  
11          Revenue Code for the taxable year;

12          (E-21) 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          and by deducting from the total so obtained the sum of the  
19          following amounts:

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

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

25               (H) In the case of a regulated investment company,  
26               an amount equal to the amount of exempt interest

1 dividends as defined in subsection (b)(5) of Section  
2 852 of the Internal Revenue Code, paid to shareholders  
3 for the taxable year;

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

1 deduction for an increase in reserves for the tax  
2 year); the provisions of this subparagraph are exempt  
3 from the provisions of Section 250;

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

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

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

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

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

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

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

1 related to such dividends, and including, for taxable  
2 years ending on or after December 31, 2008, dividends  
3 received from a captive real estate investment trust;  
4 plus (ii) 100% of the amount by which dividends,  
5 included in taxable income and received, including,  
6 for taxable years ending on or after December 31,  
7 1988, dividends received or deemed received or paid or  
8 deemed paid under Sections 951 through 964 of the  
9 Internal Revenue Code and including, for taxable years  
10 ending on or after December 31, 2008, dividends  
11 received from a captive real estate investment trust,  
12 from any such corporation specified in clause (i) that  
13 would but for the provisions of Section 1504(b)(3) of  
14 the Internal Revenue Code be treated as a member of the  
15 affiliated group which includes the dividend  
16 recipient, exceed the amount of the modification  
17 provided under subparagraph (G) of paragraph (2) of  
18 this subsection (b) which is related to such  
19 dividends. For taxable years ending on or after June  
20 30, 2021, (i) for purposes of this subparagraph, the  
21 term "dividend" does not include any amount treated as  
22 a dividend under Section 1248 of the Internal Revenue  
23 Code, and (ii) this subparagraph shall not apply to  
24 dividends for which a deduction is allowed under  
25 Section 245(a) of the Internal Revenue Code. For  
26 taxable years ending on or after December 31, 2025,

1           50% of the amount of global intangible low-taxed  
2           income received or deemed received or paid or deemed  
3           paid under Section 951A of the Internal Revenue Code.  
4           This subparagraph (O) is exempt from the provisions of  
5           Section 250 of this Act;

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

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

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

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

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

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

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

1           0.429); and

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

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

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

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

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

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

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

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

19          If the taxpayer continues to own property through  
20          the last day of the last tax year for which a  
21          subtraction is allowed with respect to that property  
22          under subparagraph (T) and for which the taxpayer was  
23          required in any taxable year to make an addition  
24          modification under subparagraph (E-10), then an amount  
25          equal to that addition modification.

26          The taxpayer is allowed to take the deduction

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

3 This subparagraph (U) is exempt from the  
4 provisions of Section 250;

5 (V) The amount of: (i) any interest income (net of  
6 the deductions allocable thereto) taken into account  
7 for the taxable year with respect to a transaction  
8 with a taxpayer that is required to make an addition  
9 modification with respect to such transaction under  
10 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
11 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
12 the amount of such addition modification, (ii) any  
13 income from intangible property (net of the deductions  
14 allocable thereto) taken into account for the taxable  
15 year with respect to a transaction with a taxpayer  
16 that is required to make an addition modification with  
17 respect to such transaction under Section  
18 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
19 203(d)(2)(D-8), but not to exceed the amount of such  
20 addition modification, and (iii) any insurance premium  
21 income (net of deductions allocable thereto) taken  
22 into account for the taxable year with respect to a  
23 transaction with a taxpayer that is required to make  
24 an addition modification with respect to such  
25 transaction under Section 203(a)(2)(D-19), Section  
26 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section

1           203(d)(2)(D-9), but not to exceed the amount of that  
2           addition modification. This subparagraph (V) is exempt  
3           from the provisions of Section 250;

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

25          (X) An amount equal to the income from intangible  
26          property taken into account for the taxable year (net

1 of the deductions allocable thereto) with respect to  
2 transactions with (i) a foreign person who would be a  
3 member of the taxpayer's unitary business group but  
4 for the fact that the foreign person's business  
5 activity outside the United States is 80% or more of  
6 that person's total business activity and (ii) for  
7 taxable years ending on or after December 31, 2008, 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, but  
14 not to exceed the addition modification required to be  
15 made for the same taxable year under Section  
16 203(b)(2)(E-13) for intangible expenses and costs  
17 paid, accrued, or incurred, directly or indirectly, to  
18 the same foreign person. This subparagraph (X) is  
19 exempt from the provisions of Section 250;

20 (Y) 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(b)(2)(E-14), 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 (Y), 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 (Y). This  
8 subparagraph (Y) is exempt from the provisions of  
9 Section 250;

10 (Z) The difference between the nondeductible  
11 controlled foreign corporation dividends under Section  
12 965(e)(3) of the Internal Revenue Code over the  
13 taxable income of the taxpayer, computed without  
14 regard to Section 965(e)(2)(A) of the Internal Revenue  
15 Code, and without regard to any net operating loss  
16 deduction. This subparagraph (Z) is exempt from the  
17 provisions of Section 250; and

18 (AA) For taxable years beginning on or after  
19 January 1, 2023, for any cannabis establishment  
20 operating in this State and licensed under the  
21 Cannabis Regulation and Tax Act or any cannabis  
22 cultivation center or medical cannabis dispensing  
23 organization operating in this State and licensed  
24 under the Compassionate Use of Medical Cannabis  
25 Program Act, an amount equal to the deductions that  
26 were disallowed under Section 280E of the Internal

1 Revenue Code for the taxable year and that would not be  
2 added back under this subsection. The provisions of  
3 this subparagraph (AA) are exempt from the provisions  
4 of Section 250.

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

13 (c) Trusts and estates.

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

17 (2) Modifications. Subject to the provisions of  
18 paragraph (3), the taxable income referred to in paragraph  
19 (1) shall be modified by adding thereto the sum of the  
20 following amounts:

21 (A) An amount equal to all amounts paid or accrued  
22 to the taxpayer as interest or dividends during the  
23 taxable year to the extent excluded from gross income  
24 in the computation of taxable income;

25 (B) In the case of (i) an estate, \$600; (ii) a

1 trust which, under its governing instrument, is  
2 required to distribute all of its income currently,  
3 \$300; and (iii) any other trust, \$100, but in each such  
4 case, only to the extent such amount was deducted in  
5 the computation of taxable income;

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

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

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

24 (i) the addition modification relating to the  
25 net operating loss carried back or forward to the  
26 taxable year from any taxable year ending prior to

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

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

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

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

24 (G) An amount equal to the amount of the capital  
25 gain deduction allowable under the Internal Revenue  
26 Code, to the extent deducted from gross income in the

1 computation of taxable income;

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

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

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

1 included in gross income under Section 78 of the  
2 Internal Revenue Code) with respect to the stock of  
3 the same person to whom the interest was paid,  
4 accrued, or incurred. For taxable years ending on and  
5 after December 31, 2025, for purposes of applying this  
6 paragraph in the case of a taxpayer to which Section  
7 163(j) of the Internal Revenue Code applies for the  
8 taxable year, the reduction in the amount of interest  
9 for which a deduction is allowed by reason of Section  
10 163(j) shall be treated as allocable first to persons  
11 who are not foreign persons referred to in this  
12 paragraph and then to such foreign persons.

13 For taxable years ending before December 31, 2025,  
14 this paragraph shall not apply to the following:

15 (i) an item of interest paid, accrued, or  
16 incurred, directly or indirectly, to 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 interest; or

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

26 (a) the person, during the same taxable

1 year, paid, accrued, or incurred, the interest  
2 to a person that is not a related member, and

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

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

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

24 For taxable years ending on or after December 31,  
25 2025, this paragraph shall not apply to the following:

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

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

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

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

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

24 For taxable years ending before December 31, 2025,  
25 this paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

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

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

6 For taxable years ending on or after December 31,  
7 2025, this paragraph shall not apply to the following:

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

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

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

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

1           the taxpayer establishes by clear and convincing  
2           evidence, that the adjustments are unreasonable;  
3           or if the taxpayer and the Director agree in  
4           writing to the application or use of an  
5           alternative method of apportionment under Section  
6           304(f).

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

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

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

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

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

25               (G-17) the amount that is claimed as a federal  
26               deduction when computing the taxpayer's federal

1 taxable income for the taxable year and that is  
2 attributable to an endowment gift for which the  
3 taxpayer receives a credit under the Illinois Gives  
4 Tax Credit Act;

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

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

18 (I) The valuation limitation amount;

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

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

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

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

24 (M) An amount equal to those dividends included in  
25 such total which were paid by a corporation which  
26 conducts business operations in a River Edge

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

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

9           (O) 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 (M) of paragraph (2) of this subsection  
16          shall not be eligible for the deduction provided under  
17          this subparagraph (O);

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

23          (Q) For taxable year 1999 and thereafter, an  
24          amount equal to the amount of any (i) distributions,  
25          to the extent includible in gross income for federal  
26          income tax purposes, made to the taxpayer because of

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

1 of items (i) and (ii) of this paragraph in gross income  
2 for federal income tax purposes. This paragraph is  
3 exempt from the provisions of Section 250;

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

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

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

21 (3) for taxable years ending after December  
22 31, 2005:

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

1 by 0.429);

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (V) 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(c)(2)(G-13) for intangible expenses and costs

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

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

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

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

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

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

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

24 (3) Limitation. The amount of any modification  
25 otherwise required under this subsection shall, under  
26 regulations prescribed by the Department, be adjusted by

1       any amounts included therein which were properly paid,  
2       credited, or required to be distributed, or permanently  
3       set aside for charitable purposes pursuant to Internal  
4       Revenue Code Section 642(c) during the taxable year.

5       (d) Partnerships.

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

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

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

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

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

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

1 computation of taxable income;

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

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

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

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

24 (D-7) An amount equal to the amount otherwise  
25 allowed as a deduction in computing base income for  
26 interest paid, accrued, or incurred, directly or

1 indirectly, (i) for taxable years ending on or after  
2 December 31, 2004, to a foreign person who would be a  
3 member of the same unitary business group but for the  
4 fact the foreign person's business activity outside  
5 the United States is 80% or more of the foreign  
6 person's total business activity and (ii) for taxable  
7 years ending on or after December 31, 2008, to a person  
8 who would be a member of the same unitary business  
9 group but for the fact that the person is prohibited  
10 under Section 1501(a)(27) from being included in the  
11 unitary business group because he or she is ordinarily  
12 required to apportion business income under different  
13 subsections of Section 304. The addition modification  
14 required by this subparagraph shall be reduced to the  
15 extent that dividends were included in base income of  
16 the unitary group for the same taxable year and  
17 received by the taxpayer or by a member of the  
18 taxpayer's unitary business group (including amounts  
19 included in gross income pursuant to Sections 951  
20 through 964 of the Internal Revenue Code and amounts  
21 included in gross income under Section 78 of the  
22 Internal Revenue Code) with respect to the stock of  
23 the same person to whom the interest was paid,  
24 accrued, or incurred. For taxable years ending on and  
25 after December 31, 2025, for purposes of applying this  
26 paragraph in the case of a taxpayer to which Section

1           163(j) of the Internal Revenue Code applies for the  
2           taxable year, the reduction in the amount of interest  
3           for which a deduction is allowed by reason of Section  
4           163(j) shall be treated as allocable first to persons  
5           who are not foreign persons referred to in this  
6           paragraph and then to such foreign persons.

7           For taxable years ending before December 31, 2025,  
8           this paragraph shall not apply to the following:

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

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

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

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

1           pursuant to a contract or agreement that  
2           reflects an arm's-length interest rate and  
3           terms; or

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

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

18          For taxable years ending on or after December 31,  
19          2025, 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 if  
22          the taxpayer can establish, based on a  
23          preponderance of the evidence, both of the  
24          following:

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

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

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

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

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

25 (D-8) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in

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

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

18 For taxable years ending on or after December 31,  
19 2025, this paragraph shall not apply to the following:

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

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

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

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

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

26           For taxable years ending on or after December 31,

1           2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

18 (D-12) the amount that is claimed as a federal  
19 deduction when computing the taxpayer's federal  
20 taxable income for the taxable year and that is  
21 attributable to an endowment gift for which the  
22 taxpayer receives a credit under the Illinois Gives  
23 Tax Credit Act;

24 and by deducting from the total so obtained the following  
25 amounts:

26 (E) The valuation limitation amount;

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

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

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

22          (I) An amount equal to all amounts of income  
23          distributable to an entity subject to the Personal  
24          Property Tax Replacement Income Tax imposed by  
25          subsections (c) and (d) of Section 201 of this Act  
26          including amounts distributable to organizations

1 exempt from federal income tax by reason of Section  
2 501(a) of the Internal Revenue Code; this subparagraph  
3 (I) is exempt from the provisions of Section 250;

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

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

1           Zone or zones. This subparagraph (K) is exempt from  
2           the provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 equal to that addition modification.

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

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

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

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

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

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

25          (S) An amount equal to the income from intangible  
26          property taken into account for the taxable year (net

1 of the deductions allocable thereto) with respect to  
2 transactions with (i) a foreign person who would be a  
3 member of the taxpayer's unitary business group but  
4 for the fact that the foreign person's business  
5 activity outside the United States is 80% or more of  
6 that person's total business activity and (ii) for  
7 taxable years ending on or after December 31, 2008, 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, but  
14 not to exceed the addition modification required to be  
15 made for the same taxable year under Section  
16 203(d)(2)(D-8) for intangible expenses and costs paid,  
17 accrued, or incurred, directly or indirectly, to the  
18 same person. This subparagraph (S) is exempt from  
19 Section 250;

20 (T) For taxable years ending on or after December  
21 31, 2011, in the case of a taxpayer who was required to  
22 add back any insurance premiums under Section  
23 203(d)(2)(D-9), such taxpayer may elect to subtract  
24 that part of a reimbursement received from the  
25 insurance company equal to the amount of the expense  
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 (T), 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 (T). This  
8 subparagraph (T) is exempt from the provisions of  
9 Section 250; and

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

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

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

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

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

1 applied under Section 172 of the Internal Revenue Code or  
2 under subparagraph (E) of paragraph (2) of this subsection  
3 (e) applied in conjunction with Section 172 of the  
4 Internal Revenue Code.

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

8 (A) Certain life insurance companies. In the case  
9 of a life insurance company subject to the tax imposed  
10 by Section 801 of the Internal Revenue Code, life  
11 insurance company taxable income, plus the amount of  
12 distribution from pre-1984 policyholder surplus  
13 accounts as calculated under Section 815a of the  
14 Internal Revenue Code;

15 (B) Certain other insurance companies. In the case  
16 of mutual insurance companies subject to the tax  
17 imposed by Section 831 of the Internal Revenue Code,  
18 insurance company taxable income;

19 (C) Regulated investment companies. In the case of  
20 a regulated investment company subject to the tax  
21 imposed by Section 852 of the Internal Revenue Code,  
22 investment company taxable income;

23 (D) Real estate investment trusts. In the case of  
24 a real estate investment trust subject to the tax  
25 imposed by Section 857 of the Internal Revenue Code,  
26 real estate investment trust taxable income;

1           (E) Consolidated corporations. In the case of a  
2 corporation which is a member of an affiliated group  
3 of corporations filing a consolidated income tax  
4 return for the taxable year for federal income tax  
5 purposes, taxable income determined as if such  
6 corporation had filed a separate return for federal  
7 income tax purposes for the taxable year and each  
8 preceding taxable year for which it was a member of an  
9 affiliated group. For purposes of this subparagraph,  
10 the taxpayer's separate taxable income shall be  
11 determined as if the election provided by Section  
12 243(b)(2) of the Internal Revenue Code had been in  
13 effect for all such years;

14           (F) Cooperatives. In the case of a cooperative  
15 corporation or association, the taxable income of such  
16 organization determined in accordance with the  
17 provisions of Section 1381 through 1388 of the  
18 Internal Revenue Code, but without regard to the  
19 prohibition against offsetting losses from patronage  
20 activities against income from nonpatronage  
21 activities; except that a cooperative corporation or  
22 association may make an election to follow its federal  
23 income tax treatment of patronage losses and  
24 nonpatronage losses. In the event such election is  
25 made, such losses shall be computed and carried over  
26 in a manner consistent with subsection (a) of Section

1           207 of this Act and apportioned by the apportionment  
2           factor reported by the cooperative on its Illinois  
3           income tax return filed for the taxable year in which  
4           the losses are incurred. The election shall be  
5           effective for all taxable years with original returns  
6           due on or after the date of the election. In addition,  
7           the cooperative may file an amended return or returns,  
8           as allowed under this Act, to provide that the  
9           election shall be effective for losses incurred or  
10          carried forward for taxable years occurring prior to  
11          the date of the election. Once made, the election may  
12          only be revoked upon approval of the Director. The  
13          Department shall adopt rules setting forth  
14          requirements for documenting the elections and any  
15          resulting Illinois net loss and the standards to be  
16          used by the Director in evaluating requests to revoke  
17          elections. Public Act 96-932 is declaratory of  
18          existing law;

19               (G) Subchapter S corporations. In the case of: (i)  
20               a Subchapter S corporation for which there is in  
21               effect an election for the taxable year under Section  
22               1362 of the Internal Revenue Code, the taxable income  
23               of such corporation determined in accordance with  
24               Section 1363(b) of the Internal Revenue Code, except  
25               that taxable income shall take into account those  
26               items which are required by Section 1363(b)(1) of the

1 Internal Revenue Code to be separately stated; and  
2 (ii) a Subchapter S corporation for which there is in  
3 effect a federal election to opt out of the provisions  
4 of the Subchapter S Revision Act of 1982 and have  
5 applied instead the prior federal Subchapter S rules  
6 as in effect on July 1, 1982, the taxable income of  
7 such corporation determined in accordance with the  
8 federal Subchapter S rules as in effect on July 1,  
9 1982; and

10 (H) Partnerships. In the case of a partnership,  
11 taxable income determined in accordance with Section  
12 703 of the Internal Revenue Code, except that taxable  
13 income shall take into account those items which are  
14 required by Section 703(a)(1) to be separately stated  
15 but which would be taken into account by an individual  
16 in calculating his taxable income.

17 (3) Recapture of business expenses on disposition of  
18 asset or business. Notwithstanding any other law to the  
19 contrary, if in prior years income from an asset or  
20 business has been classified as business income and in a  
21 later year is demonstrated to be non-business income, then  
22 all expenses, without limitation, deducted in such later  
23 year and in the 2 immediately preceding taxable years  
24 related to that asset or business that generated the  
25 non-business income shall be added back and recaptured as  
26 business income in the year of the disposition of the

1       asset or business. Such amount shall be apportioned to  
2       Illinois using the greater of the apportionment fraction  
3       computed for the business under Section 304 of this Act  
4       for the taxable year or the average of the apportionment  
5       fractions computed for the business under Section 304 of  
6       this Act for the taxable year and for the 2 immediately  
7       preceding taxable years.

8       (f) Valuation limitation amount.

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

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

18           (B) The lesser of (i) the sum of the pre-August 1,  
19           1969 appreciation amounts (to the extent consisting of  
20           capital gain) for all property in respect of which  
21           such gain was reported for federal income tax purposes  
22           for the taxable year, or (ii) the net capital gain for  
23           the taxable year, reduced in either case by any amount  
24           of such gain included in the amount determined under  
25           subsection (a)(2)(F) or (c)(2)(H).

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

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

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

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

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

4           (h) Legislative intention. Except as expressly provided by  
5 this Section there shall be no modifications or limitations on  
6 the amounts of income, gain, loss or deduction taken into  
7 account in determining gross income, adjusted gross income or  
8 taxable income for federal income tax purposes for the taxable  
9 year, or in the amount of such items entering into the  
10 computation of base income and net income under this Act for  
11 such taxable year, whether in respect of property values as of  
12 August 1, 1969 or otherwise.

13       (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;  
14 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,  
15 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.  
16 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,  
17 eff. 8-15-25.)

18           Section 99. Effective date. This Act takes effect upon  
19 becoming law.