



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

HB4974

by Rep. Jeff Keicher

#### SYNOPSIS AS INTRODUCED:

105 ILCS 5/2-3.208 new  
15 ILCS 505/16.5  
35 ILCS 5/201  
35 ILCS 5/203

from Ch. 120, par. 2-203

Specifies that the amendatory Act may be referred to as the Educational Choice for Illinois Children Act. Amends the School Code. Provides that the General Assembly elects, on behalf of the State, to: (1) participate in the federal tax credit established under the federal One Big Beautiful Bill Act for individuals who make qualified contributions to scholarship granting organizations; and (2) identify scholarship granting organizations located in this State. Authorizes and empowers the State Board of Education to certify and submit a list of qualifying scholarship granting organizations to the Secretary of the Treasury of the United States in accordance with the federal One Big Beautiful Bill Act and its associated regulations. Amends the Illinois Income Tax Act. Provides that provisions concerning a pass-through entity tax apply until January 1, 2030. Creates income tax deductions for qualified tips, overtime, and qualified vehicle loan interest. Creates an income tax deduction for qualified senior citizens. Provides that distributions from the College Savings Pool may be used for certain elementary and secondary school expenses. Makes changes concerning the bonus depreciation deduction under Section 168(k) of the Internal Revenue Code.

LRB104 14814 HLH 27957 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 1. This Act may be referred to as the Educational  
5 Choice for Illinois Children Act.

6 Section 2. Findings. The General Assembly makes all of the  
7 following findings:

8 (1) Section 1 of Article X of the Illinois  
9 Constitution provides that "[a] fundamental goal of the  
10 People of the State is the educational development of all  
11 persons to the limits of their capacities.". However, the  
12 State has failed to meet this goal. According to the 2024  
13 National Assessment of Educational Progress (NAEP), 62% of  
14 4th graders in the State were below proficient in  
15 mathematics, and 68% of 8th graders in the State were  
16 below proficient in mathematics. In reading, 70% of 4th  
17 graders were below proficient, and 67% of 8th graders were  
18 below proficient.

19 (2) H.R. 1 of the 119th Congress, the One Big  
20 Beautiful Bill Act, was recently signed into law. It  
21 offers a federal tax credit of up to \$1,700 for  
22 individuals who donate to scholarship granting  
23 organizations, thereby increasing funding for these

1 organizations to help families pay for their children to  
2 attend the kindergarten through grade 12 school of their  
3 choice. The list of eligible educational expenses includes  
4 tuition, fees, tutoring, educational therapies,  
5 transportation, technology, and other expenses for  
6 children attending public schools, private schools, and  
7 home schools.

8 (3) Illinois experienced great success with its own  
9 tax credit program, the Invest in Kids Act, which was  
10 allowed to expire at the end of 2023. According to the  
11 Department of Revenue, over 40,940 scholarships were  
12 awarded during the time that the Invest in Kids Act was  
13 active. Failure to opt into the provisions of the One Big  
14 Beautiful Bill Act would place this State at a competitive  
15 disadvantage with surrounding states that are likely to  
16 opt into the school choice provisions of the One Big  
17 Beautiful Bill Act.

18 (4) The ability to choose where a child goes to school  
19 should not be a privilege reserved for the wealthy. Too  
20 many students are trapped in an educational learning  
21 environment that fails to meet their needs, and the  
22 financial burden of attending a different school is too  
23 often out of reach. Scholarships from scholarship granting  
24 organizations under the One Big Beautiful Bill Act can  
25 help alleviate this financial burden for families that  
26 could not otherwise afford private school and would result

1 in no additional cost to the State.

2 (5) It is the purpose of this Act to support school  
3 choice in this State by directing the State Board of  
4 Education to develop a list of scholarship granting  
5 organizations to which qualified contributions may be made  
6 under Section 25F of the Internal Revenue Code.

7 Section 905. The School Code is amended by adding Section  
8 2-3.208 as follows:

9 (105 ILCS 5/2-3.208 new)

10 Sec. 2-3.208. Federal-qualifying scholarships.

11 (a) Pursuant to Section 25F of the Internal Revenue Code,  
12 the General Assembly voluntarily elects that the State do each  
13 of the following:

14 (1) participate in the federal tax credit established  
15 under Section 25F of the Internal Revenue Code for  
16 individuals who make qualified contributions to  
17 scholarship granting organizations; and

18 (2) identify scholarship granting organizations  
19 located in this State in accordance with this Section.

20 (b) The State Board of Education is authorized and  
21 empowered to certify and submit a list of qualifying  
22 scholarship granting organizations to the Secretary of the  
23 Treasury of the United States in accordance with Section 25F  
24 of the Internal Revenue Code and its associated regulations as

1 provided in this Section.

2 (c) By January 1, 2027 and by every January 1 thereafter,  
3 the State Board shall submit to the Secretary of the Treasury  
4 of the United States and publish on the State Board's Internet  
5 website a list of scholarship granting organizations that meet  
6 the requirements of Section 25F of the Internal Revenue Code  
7 and are located in this State. As part of the submission, the  
8 State Board shall certify its authority to submit the list on  
9 behalf of the State and comply with any other requirements of  
10 Section 25F of the Internal Revenue Code, its associated  
11 regulations, or other applicable guidance issued by the  
12 Secretary of the Treasury of the United States.

13 (d) The State Board may establish rules governing the  
14 process and documentation necessary for an entity to qualify  
15 to be included as a scholarship granting organization on the  
16 list.

17 Section 910. The State Treasurer Act is amended by  
18 changing Section 16.5 as follows:

19 (15 ILCS 505/16.5)

20 Sec. 16.5. College Savings Pool.

21 (a) Definitions. As used in this Section:

22 "Account owner" means any person or entity who has opened  
23 an account or to whom ownership of an account has been  
24 transferred, as allowed by the Internal Revenue Code, and who

1 has authority to withdraw funds, direct withdrawal of funds,  
2 change the designated beneficiary, or otherwise exercise  
3 control over an account in the College Savings Pool.

4 "Donor" means any person or entity who makes contributions  
5 to an account in the College Savings Pool.

6 "Designated beneficiary" means any individual designated  
7 as the beneficiary of an account in the College Savings Pool by  
8 an account owner. A designated beneficiary must have a valid  
9 social security number or taxpayer identification number. In  
10 the case of an account established as part of a scholarship  
11 program permitted under Section 529 of the Internal Revenue  
12 Code, the designated beneficiary is any individual receiving  
13 benefits accumulated in the account as a scholarship.

14 "Eligible educational institution" means public and  
15 private colleges, junior colleges, graduate schools, and  
16 certain vocational institutions that are described in Section  
17 1001 of the Higher Education Resource and Student Assistance  
18 Chapter of Title 20 of the United States Code (20 U.S.C. 1001)  
19 and that are eligible to participate in Department of  
20 Education student aid programs.

21 "Member of the family" has the same meaning ascribed to  
22 that term under Section 529 of the Internal Revenue Code.

23 "Nonqualified withdrawal" means a distribution from an  
24 account other than a distribution that (i) is used for the  
25 qualified expenses of the designated beneficiary; (ii) results  
26 from the beneficiary's death or disability; (iii) is a

1 rollover to another account in the College Savings Pool; (iv)  
2 is a rollover to an ABLE account, as defined in Section 16.6 of  
3 this Act, or any distribution that, within 60 days after such  
4 distribution, is transferred to an ABLE account of the  
5 designated beneficiary or a member of the family of the  
6 designated beneficiary to the extent that the distribution,  
7 when added to all other contributions made to the ABLE account  
8 for the taxable year, does not exceed the limitation under  
9 Section 529A(b) of the Internal Revenue Code; or (v) is a  
10 rollover to a Roth IRA account to the extent permitted by  
11 Section 529 of the Internal Revenue Code.

12 "Qualified expenses" means: (i) tuition, fees, and the  
13 costs of books, supplies, and equipment required for  
14 enrollment or attendance at an eligible educational  
15 institution; (ii) expenses for special needs services, in the  
16 case of a special needs beneficiary, which are incurred in  
17 connection with such enrollment or attendance; (iii) certain  
18 expenses, to the extent they qualify as qualified higher  
19 education expenses under Section 529 of the Internal Revenue  
20 Code, for the purchase of computer or peripheral equipment or  
21 Internet access and related services, if such equipment,  
22 software, or services are to be used primarily by the  
23 beneficiary during any of the years the beneficiary is  
24 enrolled at an eligible educational institution, except that,  
25 such expenses shall not include expenses for computer software  
26 designed for sports, games, or hobbies, unless the software is

1 predominantly educational in nature; (iv) room and board  
2 expenses incurred while attending an eligible educational  
3 institution at least half-time; (v) expenses for fees, books,  
4 supplies, and equipment required for the participation of a  
5 designated beneficiary in an apprenticeship program registered  
6 and certified with the Secretary of Labor under the National  
7 Apprenticeship Act (29 U.S.C. 50); ~~and~~ (vi) amounts paid as  
8 principal or interest on any qualified education loan of the  
9 designated beneficiary or a sibling of the designated  
10 beneficiary, as allowed under Section 529 of the Internal  
11 Revenue Code; and (vii) expenses, up to \$10,000 per taxable  
12 year, for tuition in connection with enrollment or attendance  
13 at an elementary or secondary public, private, or religious  
14 school. A student shall be considered to be enrolled at least  
15 half-time if the student is enrolled for at least half the  
16 full-time academic workload for the course of study the  
17 student is pursuing as determined under the standards of the  
18 institution at which the student is enrolled.

19 (b) Establishment of the Pool. The State Treasurer may  
20 establish and administer the College Savings Pool as a  
21 qualified tuition program under Section 529 of the Internal  
22 Revenue Code. The Pool may consist of one or more college  
23 savings programs. The State Treasurer, in administering the  
24 College Savings Pool, may: (1) receive, hold, and invest  
25 moneys paid into the Pool; and (2) perform any other action he  
26 or she deems necessary to administer the Pool, including any

1 other actions necessary to ensure that the Pool operates as a  
2 qualified tuition program in accordance with Section 529 of  
3 the Internal Revenue Code.

4 (c) Administration of the College Savings Pool. The State  
5 Treasurer may delegate duties related to the College Savings  
6 Pool to one or more contractors. The contributions deposited  
7 in the Pool, and any earnings thereon, shall not constitute  
8 property of the State or be commingled with State funds and the  
9 State shall have no claim to or against, or interest in, such  
10 funds; provided that the fees collected by the State Treasurer  
11 in accordance with this Act, scholarship programs administered  
12 by the State Treasurer, and seed funds deposited by the State  
13 Treasurer under Section 16.8 of the Act are State funds.

14 (c-5) College Savings Pool Account Summaries. The State  
15 Treasurer shall provide a separate accounting for each  
16 designated beneficiary. The separate accounting shall be  
17 provided to the account owner of the account for the  
18 designated beneficiary at least annually and shall show the  
19 account balance, the investment in the account, the investment  
20 earnings, and the distributions from the account.

21 (d) Availability of the College Savings Pool. The State  
22 Treasurer may permit persons, including trustees of trusts and  
23 custodians under a Uniform Transfers to Minors Act or Uniform  
24 Gifts to Minors Act account, and certain legal entities to be  
25 account owners, including as part of a scholarship program,  
26 provided that: (1) an individual, trustee or custodian must

1 have a valid social security number or taxpayer identification  
2 number, be at least 18 years of age, and have a valid United  
3 States street address; and (2) a legal entity must have a valid  
4 taxpayer identification number and a valid United States  
5 street address. In-state and out-of-state persons, trustees,  
6 custodians, and legal entities may be account owners and  
7 donors, and both in-state and out-of-state individuals may be  
8 designated beneficiaries in the College Savings Pool.

9 (e) Fees. Any fees, costs, and expenses, including  
10 investment fees and expenses and payments to third parties,  
11 related to the College Savings Pool, shall be paid from the  
12 assets of the College Savings Pool. The State Treasurer shall  
13 establish fees to be imposed on accounts to cover such fees,  
14 costs, and expenses, to the extent not paid directly out of the  
15 investments of the College Savings Pool, and to maintain an  
16 adequate reserve fund in line with industry standards for  
17 government operated funds. The Treasurer must use his or her  
18 best efforts to keep these fees as low as possible and  
19 consistent with administration of high quality competitive  
20 college savings programs.

21 (f) Investments in the State. To enhance the safety and  
22 liquidity of the College Savings Pool, to ensure the  
23 diversification of the investment portfolio of the College  
24 Savings Pool, and in an effort to keep investment dollars in  
25 the State of Illinois, the State Treasurer may make a  
26 percentage of each account available for investment in

1 participating financial institutions doing business in the  
2 State.

3 (g) Investment policy. The Treasurer shall develop,  
4 publish, and implement an investment policy covering the  
5 investment of the moneys in each of the programs in the College  
6 Savings Pool. The policy shall be published each year as part  
7 of the audit of the College Savings Pool by the Auditor  
8 General, which shall be distributed to all account owners in  
9 such program. The Treasurer shall notify all account owners in  
10 such program in writing, and the Treasurer shall publish in a  
11 newspaper of general circulation in both Chicago and  
12 Springfield, any changes to the previously published  
13 investment policy at least 30 calendar days before  
14 implementing the policy. Any investment policy adopted by the  
15 Treasurer shall be reviewed and updated if necessary within 90  
16 days following the date that the State Treasurer takes office.

17 (h) Investment restrictions. An account owner may,  
18 directly or indirectly, direct the investment of his or her  
19 account only as provided in Section 529(b)(4) of the Internal  
20 Revenue Code. Donors and designated beneficiaries, in those  
21 capacities, may not, directly or indirectly, direct the  
22 investment of an account.

23 (i) Distributions. Distributions from an account in the  
24 College Savings Pool may be used for the designated  
25 beneficiary's qualified expenses, and if not used in that  
26 manner, may be considered a nonqualified withdrawal. Funds

1 contained in a College Savings Pool account may be rolled over  
2 into:

3 (1) an eligible ABLE account, as defined in Section  
4 16.6 of this Act to the extent permitted by Section 529 of  
5 the Internal Revenue Code;

6 (2) another qualified tuition program, to the extent  
7 permitted by Section 529 of the Internal Revenue Code; or

8 (3) a Roth IRA account, to the extent permitted by  
9 Section 529 of the Internal Revenue Code.

10 Distributions made from the College Savings Pool may be  
11 made directly to the eligible educational institution,  
12 directly to a vendor, in the form of a check payable to both  
13 the designated beneficiary and the institution or vendor,  
14 directly to the designated beneficiary or account owner, or in  
15 any other manner that is permissible under Section 529 of the  
16 Internal Revenue Code.

17 (j) Contributions. Contributions to the College Savings  
18 Pool shall be as follows:

19 (1) Contributions to an account in the College Savings  
20 Pool may be made only in cash.

21 (2) The Treasurer shall limit the contributions that  
22 may be made to the College Savings Pool on behalf of a  
23 designated beneficiary, as required under Section 529 of  
24 the Internal Revenue Code, to prevent contributions for  
25 the benefit of a designated beneficiary in excess of those  
26 necessary to provide for the qualified expenses of the

1 designated beneficiary. The Pool shall not permit any  
2 additional contributions to an account as soon as the sum  
3 of (i) the aggregate balance in all accounts in the Pool  
4 for the designated beneficiary and (ii) the aggregate  
5 contributions in the Illinois Prepaid Tuition Program for  
6 the designated beneficiary reaches the specified balance  
7 limit established from time to time by the Treasurer.

8 (k) Illinois Student Assistance Commission. The Treasurer  
9 and the Illinois Student Assistance Commission shall each  
10 cooperate in providing each other with account information, as  
11 necessary, to prevent contributions in excess of those  
12 necessary to provide for the qualified expenses of the  
13 designated beneficiary, as described in subsection (j).

14 The Treasurer shall work with the Illinois Student  
15 Assistance Commission to coordinate the marketing of the  
16 College Savings Pool and the Illinois Prepaid Tuition Program  
17 when considered beneficial by the Treasurer and the Director  
18 of the Illinois Student Assistance Commission.

19 (l) Prohibition; exemption. No interest in the program, or  
20 any portion thereof, may be used as security for a loan. Moneys  
21 held in an account invested in the College Savings Pool shall  
22 be exempt from all claims of the creditors of the account  
23 owner, donor, or designated beneficiary of that account,  
24 except for the non-exempt College Savings Pool transfers to or  
25 from the account as defined under subsection (j) of Section  
26 12-1001 of the Code of Civil Procedure.

1 (m) Taxation. The assets of the College Savings Pool and  
2 its income and operation shall be exempt from all taxation by  
3 the State of Illinois and any of its subdivisions. The accrued  
4 earnings on investments in the Pool once disbursed on behalf  
5 of a designated beneficiary shall be similarly exempt from all  
6 taxation by the State of Illinois and its subdivisions, so  
7 long as they are used for qualified expenses. Contributions to  
8 a College Savings Pool account during the taxable year may be  
9 deducted from adjusted gross income as provided in Section 203  
10 of the Illinois Income Tax Act. The provisions of this  
11 paragraph are exempt from Section 250 of the Illinois Income  
12 Tax Act.

13 (n) Rules. The Treasurer shall adopt rules he or she  
14 considers necessary for the efficient administration of the  
15 College Savings Pool. The rules shall provide whatever  
16 additional parameters and restrictions are necessary to ensure  
17 that the College Savings Pool meets all the requirements for a  
18 qualified tuition program under Section 529 of the Internal  
19 Revenue Code.

20 Notice of any proposed amendments to the rules and  
21 regulations shall be provided to all account owners prior to  
22 adoption.

23 (o) Bond. The State Treasurer shall give bond with at  
24 least one surety, payable to and for the benefit of the account  
25 owners in the College Savings Pool, in the penal sum of  
26 \$10,000,000, conditioned upon the faithful discharge of his or

1 her duties in relation to the College Savings Pool.

2 (p) The changes made to subsections (c) and (e) of this  
3 Section by Public Act 101-26 are intended to be a restatement  
4 and clarification of existing law.

5 (Source: P.A. 102-186, eff. 7-30-21; 103-778, eff. 8-2-24.)

6 Section 915. The Illinois Income Tax Act is amended by  
7 changing Sections 201 and 203 as follows:

8 (35 ILCS 5/201)

9 Sec. 201. Tax imposed.

10 (a) In general. A tax measured by net income is hereby  
11 imposed on every individual, corporation, trust and estate for  
12 each taxable year ending after July 31, 1969 on the privilege  
13 of earning or receiving income in or as a resident of this  
14 State. Such tax shall be in addition to all other occupation or  
15 privilege taxes imposed by this State or by any municipal  
16 corporation or political subdivision thereof.

17 (b) Rates. The tax imposed by subsection (a) of this  
18 Section shall be determined as follows, except as adjusted by  
19 subsection (d-1):

20 (1) In the case of an individual, trust or estate, for  
21 taxable years ending prior to July 1, 1989, an amount  
22 equal to 2 1/2% of the taxpayer's net income for the  
23 taxable year.

24 (2) In the case of an individual, trust or estate, for

1 taxable years beginning prior to July 1, 1989 and ending  
2 after June 30, 1989, an amount equal to the sum of (i) 2  
3 1/2% of the taxpayer's net income for the period prior to  
4 July 1, 1989, as calculated under Section 202.3, and (ii)  
5 3% of the taxpayer's net income for the period after June  
6 30, 1989, as calculated under Section 202.3.

7 (3) In the case of an individual, trust or estate, for  
8 taxable years beginning after June 30, 1989, and ending  
9 prior to January 1, 2011, an amount equal to 3% of the  
10 taxpayer's net income for the taxable year.

11 (4) In the case of an individual, trust, or estate,  
12 for taxable years beginning prior to January 1, 2011, and  
13 ending after December 31, 2010, an amount equal to the sum  
14 of (i) 3% of the taxpayer's net income for the period prior  
15 to January 1, 2011, as calculated under Section 202.5, and  
16 (ii) 5% of the taxpayer's net income for the period after  
17 December 31, 2010, as calculated under Section 202.5.

18 (5) In the case of an individual, trust, or estate,  
19 for taxable years beginning on or after January 1, 2011,  
20 and ending prior to January 1, 2015, an amount equal to 5%  
21 of the taxpayer's net income for the taxable year.

22 (5.1) In the case of an individual, trust, or estate,  
23 for taxable years beginning prior to January 1, 2015, and  
24 ending after December 31, 2014, an amount equal to the sum  
25 of (i) 5% of the taxpayer's net income for the period prior  
26 to January 1, 2015, as calculated under Section 202.5, and

1 (ii) 3.75% of the taxpayer's net income for the period  
2 after December 31, 2014, as calculated under Section  
3 202.5.

4 (5.2) In the case of an individual, trust, or estate,  
5 for taxable years beginning on or after January 1, 2015,  
6 and ending prior to July 1, 2017, an amount equal to 3.75%  
7 of the taxpayer's net income for the taxable year.

8 (5.3) In the case of an individual, trust, or estate,  
9 for taxable years beginning prior to July 1, 2017, and  
10 ending after June 30, 2017, an amount equal to the sum of  
11 (i) 3.75% of the taxpayer's net income for the period  
12 prior to July 1, 2017, as calculated under Section 202.5,  
13 and (ii) 4.95% of the taxpayer's net income for the period  
14 after June 30, 2017, as calculated under Section 202.5.

15 (5.4) In the case of an individual, trust, or estate,  
16 for taxable years beginning on or after July 1, 2017, an  
17 amount equal to 4.95% of the taxpayer's net income for the  
18 taxable year.

19 (6) In the case of a corporation, for taxable years  
20 ending prior to July 1, 1989, an amount equal to 4% of the  
21 taxpayer's net income for the taxable year.

22 (7) In the case of a corporation, for taxable years  
23 beginning prior to July 1, 1989 and ending after June 30,  
24 1989, an amount equal to the sum of (i) 4% of the  
25 taxpayer's net income for the period prior to July 1,  
26 1989, as calculated under Section 202.3, and (ii) 4.8% of

1 the taxpayer's net income for the period after June 30,  
2 1989, as calculated under Section 202.3.

3 (8) In the case of a corporation, for taxable years  
4 beginning after June 30, 1989, and ending prior to January  
5 1, 2011, an amount equal to 4.8% of the taxpayer's net  
6 income for the taxable year.

7 (9) In the case of a corporation, for taxable years  
8 beginning prior to January 1, 2011, and ending after  
9 December 31, 2010, an amount equal to the sum of (i) 4.8%  
10 of the taxpayer's net income for the period prior to  
11 January 1, 2011, as calculated under Section 202.5, and  
12 (ii) 7% of the taxpayer's net income for the period after  
13 December 31, 2010, as calculated under Section 202.5.

14 (10) In the case of a corporation, for taxable years  
15 beginning on or after January 1, 2011, and ending prior to  
16 January 1, 2015, an amount equal to 7% of the taxpayer's  
17 net income for the taxable year.

18 (11) In the case of a corporation, for taxable years  
19 beginning prior to January 1, 2015, and ending after  
20 December 31, 2014, an amount equal to the sum of (i) 7% of  
21 the taxpayer's net income for the period prior to January  
22 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
23 of the taxpayer's net income for the period after December  
24 31, 2014, as calculated under Section 202.5.

25 (12) In the case of a corporation, for taxable years  
26 beginning on or after January 1, 2015, and ending prior to

1 July 1, 2017, an amount equal to 5.25% of the taxpayer's  
2 net income for the taxable year.

3 (13) In the case of a corporation, for taxable years  
4 beginning prior to July 1, 2017, and ending after June 30,  
5 2017, an amount equal to the sum of (i) 5.25% of the  
6 taxpayer's net income for the period prior to July 1,  
7 2017, as calculated under Section 202.5, and (ii) 7% of  
8 the taxpayer's net income for the period after June 30,  
9 2017, as calculated under Section 202.5.

10 (14) In the case of a corporation, for taxable years  
11 beginning on or after July 1, 2017, an amount equal to 7%  
12 of the taxpayer's net income for the taxable year.

13 The rates under this subsection (b) are subject to the  
14 provisions of Section 201.5.

15 (b-5) Surcharge; sale or exchange of assets, properties,  
16 and intangibles of organization gaming licensees. For each of  
17 taxable years 2019 through 2027, a surcharge is imposed on all  
18 taxpayers on income arising from the sale or exchange of  
19 capital assets, depreciable business property, real property  
20 used in the trade or business, and Section 197 intangibles (i)  
21 of an organization licensee under the Illinois Horse Racing  
22 Act of 1975 and (ii) of an organization gaming licensee under  
23 the Illinois Gambling Act. The amount of the surcharge is  
24 equal to the amount of federal income tax liability for the  
25 taxable year attributable to those sales and exchanges. The  
26 surcharge imposed shall not apply if:

1           (1) the organization gaming license, organization  
2 license, or racetrack property is transferred as a result  
3 of any of the following:

4           (A) bankruptcy, a receivership, or a debt  
5 adjustment initiated by or against the initial  
6 licensee or the substantial owners of the initial  
7 licensee;

8           (B) cancellation, revocation, or termination of  
9 any such license by the Illinois Gaming Board or the  
10 Illinois Racing Board;

11           (C) a determination by the Illinois Gaming Board  
12 that transfer of the license is in the best interests  
13 of Illinois gaming;

14           (D) the death of an owner of the equity interest in  
15 a licensee;

16           (E) the acquisition of a controlling interest in  
17 the stock or substantially all of the assets of a  
18 publicly traded company;

19           (F) a transfer by a parent company to a wholly  
20 owned subsidiary; or

21           (G) the transfer or sale to or by one person to  
22 another person where both persons were initial owners  
23 of the license when the license was issued; or

24           (2) the controlling interest in the organization  
25 gaming license, organization license, or racetrack  
26 property is transferred in a transaction to lineal

1           descendants in which no gain or loss is recognized or as a  
2           result of a transaction in accordance with Section 351 of  
3           the Internal Revenue Code in which no gain or loss is  
4           recognized; or

5           (3) live horse racing was not conducted in 2010 at a  
6           racetrack located within 3 miles of the Mississippi River  
7           under a license issued pursuant to the Illinois Horse  
8           Racing Act of 1975.

9           The transfer of an organization gaming license,  
10          organization license, or racetrack property by a person other  
11          than the initial licensee to receive the organization gaming  
12          license is not subject to a surcharge. The Department shall  
13          adopt rules necessary to implement and administer this  
14          subsection.

15          (c) Personal Property Tax Replacement Income Tax.  
16          Beginning on July 1, 1979 and thereafter, in addition to such  
17          income tax, there is also hereby imposed the Personal Property  
18          Tax Replacement Income Tax measured by net income on every  
19          corporation (including Subchapter S corporations), partnership  
20          and trust, for each taxable year ending after June 30, 1979.  
21          Such taxes are imposed on the privilege of earning or  
22          receiving income in or as a resident of this State. The  
23          Personal Property Tax Replacement Income Tax shall be in  
24          addition to the income tax imposed by subsections (a) and (b)  
25          of this Section and in addition to all other occupation or  
26          privilege taxes imposed by this State or by any municipal

1 corporation or political subdivision thereof.

2 (d) Additional Personal Property Tax Replacement Income  
3 Tax Rates. The personal property tax replacement income tax  
4 imposed by this subsection and subsection (c) of this Section  
5 in the case of a corporation, other than a Subchapter S  
6 corporation and except as adjusted by subsection (d-1), shall  
7 be an additional amount equal to 2.85% of such taxpayer's net  
8 income for the taxable year, except that beginning on January  
9 1, 1981, and thereafter, the rate of 2.85% specified in this  
10 subsection shall be reduced to 2.5%, and in the case of a  
11 partnership, trust or a Subchapter S corporation shall be an  
12 additional amount equal to 1.5% of such taxpayer's net income  
13 for the taxable year.

14 (d-1) Rate reduction for certain foreign insurers. In the  
15 case of a foreign insurer, as defined by Section 35A-5 of the  
16 Illinois Insurance Code, whose state or country of domicile  
17 imposes on insurers domiciled in Illinois a retaliatory tax  
18 (excluding any insurer whose premiums from reinsurance assumed  
19 are 50% or more of its total insurance premiums as determined  
20 under paragraph (2) of subsection (b) of Section 304, except  
21 that for purposes of this determination premiums from  
22 reinsurance do not include premiums from inter-affiliate  
23 reinsurance arrangements), beginning with taxable years ending  
24 on or after December 31, 1999, the sum of the rates of tax  
25 imposed by subsections (b) and (d) shall be reduced (but not  
26 increased) to the rate at which the total amount of tax imposed

1 under this Act, net of all credits allowed under this Act,  
2 shall equal (i) the total amount of tax that would be imposed  
3 on the foreign insurer's net income allocable to Illinois for  
4 the taxable year by such foreign insurer's state or country of  
5 domicile if that net income were subject to all income taxes  
6 and taxes measured by net income imposed by such foreign  
7 insurer's state or country of domicile, net of all credits  
8 allowed or (ii) a rate of zero if no such tax is imposed on  
9 such income by the foreign insurer's state of domicile. For  
10 the purposes of this subsection (d-1), an inter-affiliate  
11 includes a mutual insurer under common management.

12 (1) For the purposes of subsection (d-1), in no event  
13 shall the sum of the rates of tax imposed by subsections  
14 (b) and (d) be reduced below the rate at which the sum of:

15 (A) the total amount of tax imposed on such  
16 foreign insurer under this Act for a taxable year, net  
17 of all credits allowed under this Act, plus

18 (B) the privilege tax imposed by Section 409 of  
19 the Illinois Insurance Code, the fire insurance  
20 company tax imposed by Section 12 of the Fire  
21 Investigation Act, and the fire department taxes  
22 imposed under Section 11-10-1 of the Illinois  
23 Municipal Code,

24 equals 1.25% for taxable years ending prior to December  
25 31, 2003, or 1.75% for taxable years ending on or after  
26 December 31, 2003, of the net taxable premiums written for

1 the taxable year, as described by subsection (1) of  
2 Section 409 of the Illinois Insurance Code. This paragraph  
3 will in no event increase the rates imposed under  
4 subsections (b) and (d).

5 (2) Any reduction in the rates of tax imposed by this  
6 subsection shall be applied first against the rates  
7 imposed by subsection (b) and only after the tax imposed  
8 by subsection (a) net of all credits allowed under this  
9 Section other than the credit allowed under subsection (i)  
10 has been reduced to zero, against the rates imposed by  
11 subsection (d).

12 This subsection (d-1) is exempt from the provisions of  
13 Section 250.

14 (e) Investment credit. A taxpayer shall be allowed a  
15 credit against the Personal Property Tax Replacement Income  
16 Tax for investment in qualified property.

17 (1) A taxpayer shall be allowed a credit equal to .5%  
18 of the basis of qualified property placed in service  
19 during the taxable year, provided such property is placed  
20 in service on or after July 1, 1984. There shall be allowed  
21 an additional credit equal to .5% of the basis of  
22 qualified property placed in service during the taxable  
23 year, provided such property is placed in service on or  
24 after July 1, 1986, and the taxpayer's base employment  
25 within Illinois has increased by 1% or more over the  
26 preceding year as determined by the taxpayer's employment

1 records filed with the Illinois Department of Employment  
2 Security. Taxpayers who are new to Illinois shall be  
3 deemed to have met the 1% growth in base employment for the  
4 first year in which they file employment records with the  
5 Illinois Department of Employment Security. The provisions  
6 added to this Section by Public Act 85-1200 (and restored  
7 by Public Act 87-895) shall be construed as declaratory of  
8 existing law and not as a new enactment. If, in any year,  
9 the increase in base employment within Illinois over the  
10 preceding year is less than 1%, the additional credit  
11 shall be limited to that percentage times a fraction, the  
12 numerator of which is .5% and the denominator of which is  
13 1%, but shall not exceed .5%. The investment credit shall  
14 not be allowed to the extent that it would reduce a  
15 taxpayer's liability in any tax year below zero, nor may  
16 any credit for qualified property be allowed for any year  
17 other than the year in which the property was placed in  
18 service in Illinois. For tax years ending on or after  
19 December 31, 1987, and on or before December 31, 1988, the  
20 credit shall be allowed for the tax year in which the  
21 property is placed in service, or, if the amount of the  
22 credit exceeds the tax liability for that year, whether it  
23 exceeds the original liability or the liability as later  
24 amended, such excess may be carried forward and applied to  
25 the tax liability of the 5 taxable years following the  
26 excess credit years if the taxpayer (i) makes investments

1           which cause the creation of a minimum of 2,000 full-time  
2           equivalent jobs in Illinois, (ii) is located in an  
3           enterprise zone established pursuant to the Illinois  
4           Enterprise Zone Act and (iii) is certified by the  
5           Department of Commerce and Community Affairs (now  
6           Department of Commerce and Economic Opportunity) as  
7           complying with the requirements specified in clause (i)  
8           and (ii) by July 1, 1986. The Department of Commerce and  
9           Community Affairs (now Department of Commerce and Economic  
10          Opportunity) shall notify the Department of Revenue of all  
11          such certifications immediately. For tax years ending  
12          after December 31, 1988, the credit shall be allowed for  
13          the tax year in which the property is placed in service,  
14          or, if the amount of the credit exceeds the tax liability  
15          for that year, whether it exceeds the original liability  
16          or the liability as later amended, such excess may be  
17          carried forward and applied to the tax liability of the 5  
18          taxable years following the excess credit years. The  
19          credit shall be applied to the earliest year for which  
20          there is a liability. If there is credit from more than one  
21          tax year that is available to offset a liability, earlier  
22          credit shall be applied first.

23                 (2) The term "qualified property" means property  
24                 which:

25                         (A) is tangible, whether new or used, including  
26                         buildings and structural components of buildings and

1 signs that are real property, but not including land  
2 or improvements to real property that are not a  
3 structural component of a building such as  
4 landscaping, sewer lines, local access roads, fencing,  
5 parking lots, and other appurtenances;

6 (B) is depreciable pursuant to Section 167 of the  
7 Internal Revenue Code, except that "3-year property"  
8 as defined in Section 168(c)(2)(A) of that Code is not  
9 eligible for the credit provided by this subsection  
10 (e);

11 (C) is acquired by purchase as defined in Section  
12 179(d) of the Internal Revenue Code;

13 (D) is used in Illinois by a taxpayer who is  
14 primarily engaged in manufacturing, or in mining coal  
15 or fluorite, or in retailing, or was placed in service  
16 on or after July 1, 2006 in a River Edge Redevelopment  
17 Zone established pursuant to the River Edge  
18 Redevelopment Zone Act; and

19 (E) has not previously been used in Illinois in  
20 such a manner and by such a person as would qualify for  
21 the credit provided by this subsection (e) or  
22 subsection (f).

23 (3) For purposes of this subsection (e),  
24 "manufacturing" means the material staging and production  
25 of tangible personal property by procedures commonly  
26 regarded as manufacturing, processing, fabrication, or

1 assembling which changes some existing material into new  
2 shapes, new qualities, or new combinations. For purposes  
3 of this subsection (e) the term "mining" shall have the  
4 same meaning as the term "mining" in Section 613(c) of the  
5 Internal Revenue Code. For purposes of this subsection  
6 (e), the term "retailing" means the sale of tangible  
7 personal property for use or consumption and not for  
8 resale, or services rendered in conjunction with the sale  
9 of tangible personal property for use or consumption and  
10 not for resale. For purposes of this subsection (e),  
11 "tangible personal property" has the same meaning as when  
12 that term is used in the Retailers' Occupation Tax Act,  
13 and, for taxable years ending after December 31, 2008,  
14 does not include the generation, transmission, or  
15 distribution of electricity.

16 (4) The basis of qualified property shall be the basis  
17 used to compute the depreciation deduction for federal  
18 income tax purposes.

19 (5) If the basis of the property for federal income  
20 tax depreciation purposes is increased after it has been  
21 placed in service in Illinois by the taxpayer, the amount  
22 of such increase shall be deemed property placed in  
23 service on the date of such increase in basis.

24 (6) The term "placed in service" shall have the same  
25 meaning as under Section 46 of the Internal Revenue Code.

26 (7) If during any taxable year, any property ceases to

1 be qualified property in the hands of the taxpayer within  
2 48 months after being placed in service, or the situs of  
3 any qualified property is moved outside Illinois within 48  
4 months after being placed in service, the Personal  
5 Property Tax Replacement Income Tax for such taxable year  
6 shall be increased. Such increase shall be determined by  
7 (i) recomputing the investment credit which would have  
8 been allowed for the year in which credit for such  
9 property was originally allowed by eliminating such  
10 property from such computation and, (ii) subtracting such  
11 recomputed credit from the amount of credit previously  
12 allowed. For the purposes of this paragraph (7), a  
13 reduction of the basis of qualified property resulting  
14 from a redetermination of the purchase price shall be  
15 deemed a disposition of qualified property to the extent  
16 of such reduction.

17 (8) Unless the investment credit is extended by law,  
18 the basis of qualified property shall not include costs  
19 incurred after December 31, 2018, except for costs  
20 incurred pursuant to a binding contract entered into on or  
21 before December 31, 2018.

22 (9) Each taxable year ending before December 31, 2000,  
23 a partnership may elect to pass through to its partners  
24 the credits to which the partnership is entitled under  
25 this subsection (e) for the taxable year. A partner may  
26 use the credit allocated to him or her under this

1 paragraph only against the tax imposed in subsections (c)  
2 and (d) of this Section. If the partnership makes that  
3 election, those credits shall be allocated among the  
4 partners in the partnership in accordance with the rules  
5 set forth in Section 704(b) of the Internal Revenue Code,  
6 and the rules promulgated under that Section, and the  
7 allocated amount of the credits shall be allowed to the  
8 partners for that taxable year. The partnership shall make  
9 this election on its Personal Property Tax Replacement  
10 Income Tax return for that taxable year. The election to  
11 pass through the credits shall be irrevocable.

12 For taxable years ending on or after December 31,  
13 2000, a partner that qualifies its partnership for a  
14 subtraction under subparagraph (I) of paragraph (2) of  
15 subsection (d) of Section 203 or a shareholder that  
16 qualifies a Subchapter S corporation for a subtraction  
17 under subparagraph (S) of paragraph (2) of subsection (b)  
18 of Section 203 shall be allowed a credit under this  
19 subsection (e) equal to its share of the credit earned  
20 under this subsection (e) during the taxable year by the  
21 partnership or Subchapter S corporation, determined in  
22 accordance with the determination of income and  
23 distributive share of income under Sections 702 and 704  
24 and Subchapter S of the Internal Revenue Code. This  
25 paragraph is exempt from the provisions of Section 250.

26 (f) Investment credit; Enterprise Zone; River Edge

1 Redevelopment Zone.

2 (1) A taxpayer shall be allowed a credit against the  
3 tax imposed by subsections (a) and (b) of this Section for  
4 investment in qualified property which is placed in  
5 service in an Enterprise Zone created pursuant to the  
6 Illinois Enterprise Zone Act or, for property placed in  
7 service on or after July 1, 2006, a River Edge  
8 Redevelopment Zone established pursuant to the River Edge  
9 Redevelopment Zone Act. For partners, shareholders of  
10 Subchapter S corporations, and owners of limited liability  
11 companies, if the liability company is treated as a  
12 partnership for purposes of federal and State income  
13 taxation, for taxable years ending before December 31,  
14 2023, there shall be allowed a credit under this  
15 subsection (f) to be determined in accordance with the  
16 determination of income and distributive share of income  
17 under Sections 702 and 704 and Subchapter S of the  
18 Internal Revenue Code. For taxable years ending on or  
19 after December 31, 2023, for partners and shareholders of  
20 Subchapter S corporations, the provisions of Section 251  
21 shall apply with respect to the credit under this  
22 subsection. The credit shall be .5% of the basis for such  
23 property. The credit shall be available only in the  
24 taxable year in which the property is placed in service in  
25 the Enterprise Zone or River Edge Redevelopment Zone and  
26 shall not be allowed to the extent that it would reduce a

1 taxpayer's liability for the tax imposed by subsections  
2 (a) and (b) of this Section to below zero. For tax years  
3 ending on or after December 31, 1985, the credit shall be  
4 allowed for the tax year in which the property is placed in  
5 service, or, if the amount of the credit exceeds the tax  
6 liability for that year, whether it exceeds the original  
7 liability or the liability as later amended, such excess  
8 may be carried forward and applied to the tax liability of  
9 the 5 taxable years following the excess credit year. The  
10 credit shall be applied to the earliest year for which  
11 there is a liability. If there is credit from more than one  
12 tax year that is available to offset a liability, the  
13 credit accruing first in time shall be applied first.

14 (2) The term qualified property means property which:

15 (A) is tangible, whether new or used, including  
16 buildings and structural components of buildings;

17 (B) is depreciable pursuant to Section 167 of the  
18 Internal Revenue Code, except that "3-year property"  
19 as defined in Section 168(c)(2)(A) of that Code is not  
20 eligible for the credit provided by this subsection  
21 (f);

22 (C) is acquired by purchase as defined in Section  
23 179(d) of the Internal Revenue Code;

24 (D) is used in the Enterprise Zone or River Edge  
25 Redevelopment Zone by the taxpayer; and

26 (E) has not been previously used in Illinois in

1           such a manner and by such a person as would qualify for  
2           the credit provided by this subsection (f) or  
3           subsection (e).

4           (3) The basis of qualified property shall be the basis  
5           used to compute the depreciation deduction for federal  
6           income tax purposes.

7           (4) If the basis of the property for federal income  
8           tax depreciation purposes is increased after it has been  
9           placed in service in the Enterprise Zone or River Edge  
10          Redevelopment Zone by the taxpayer, the amount of such  
11          increase shall be deemed property placed in service on the  
12          date of such increase in basis.

13          (5) The term "placed in service" shall have the same  
14          meaning as under Section 46 of the Internal Revenue Code.

15          (6) If during any taxable year, any property ceases to  
16          be qualified property in the hands of the taxpayer within  
17          48 months after being placed in service, or the situs of  
18          any qualified property is moved outside the Enterprise  
19          Zone or River Edge Redevelopment Zone within 48 months  
20          after being placed in service, the tax imposed under  
21          subsections (a) and (b) of this Section for such taxable  
22          year shall be increased. Such increase shall be determined  
23          by (i) recomputing the investment credit which would have  
24          been allowed for the year in which credit for such  
25          property was originally allowed by eliminating such  
26          property from such computation, and (ii) subtracting such

1 recomputed credit from the amount of credit previously  
2 allowed. For the purposes of this paragraph (6), a  
3 reduction of the basis of qualified property resulting  
4 from a redetermination of the purchase price shall be  
5 deemed a disposition of qualified property to the extent  
6 of such reduction.

7 (7) There shall be allowed an additional credit equal  
8 to 0.5% of the basis of qualified property placed in  
9 service during the taxable year in a River Edge  
10 Redevelopment Zone, provided such property is placed in  
11 service on or after July 1, 2006, and the taxpayer's base  
12 employment within Illinois has increased by 1% or more  
13 over the preceding year as determined by the taxpayer's  
14 employment records filed with the Illinois Department of  
15 Employment Security. Taxpayers who are new to Illinois  
16 shall be deemed to have met the 1% growth in base  
17 employment for the first year in which they file  
18 employment records with the Illinois Department of  
19 Employment Security. If, in any year, the increase in base  
20 employment within Illinois over the preceding year is less  
21 than 1%, the additional credit shall be limited to that  
22 percentage times a fraction, the numerator of which is  
23 0.5% and the denominator of which is 1%, but shall not  
24 exceed 0.5%.

25 (8) For taxable years beginning on or after January 1,  
26 2021, there shall be allowed an Enterprise Zone

1 construction jobs credit against the taxes imposed under  
2 subsections (a) and (b) of this Section as provided in  
3 Section 13 of the Illinois Enterprise Zone Act.

4 The credit or credits may not reduce the taxpayer's  
5 liability to less than zero. If the amount of the credit or  
6 credits exceeds the taxpayer's liability, the excess may  
7 be carried forward and applied against the taxpayer's  
8 liability in succeeding calendar years in the same manner  
9 provided under paragraph (4) of Section 211 of this Act.  
10 The credit or credits shall be applied to the earliest  
11 year for which there is a tax liability. If there are  
12 credits from more than one taxable year that are available  
13 to offset a liability, the earlier credit shall be applied  
14 first.

15 For partners, shareholders of Subchapter S  
16 corporations, and owners of limited liability companies,  
17 if the liability company is treated as a partnership for  
18 the purposes of federal and State income taxation, for  
19 taxable years ending before December 31, 2023, there shall  
20 be allowed a credit under this Section to be determined in  
21 accordance with the determination of income and  
22 distributive share of income under Sections 702 and 704  
23 and Subchapter S of the Internal Revenue Code. For taxable  
24 years ending on or after December 31, 2023, for partners  
25 and shareholders of Subchapter S corporations, the  
26 provisions of Section 251 shall apply with respect to the

1 credit under this subsection.

2 The total aggregate amount of credits awarded under  
3 the Blue Collar Jobs Act (Article 20 of Public Act 101-9)  
4 shall not exceed \$20,000,000 in any State fiscal year.

5 This paragraph (8) is exempt from the provisions of  
6 Section 250.

7 (g) (Blank).

8 (h) Investment credit; High Impact Business.

9 (1) Subject to subsections (b) and (b-5) of Section  
10 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall  
11 be allowed a credit against the tax imposed by subsections  
12 (a) and (b) of this Section for investment in qualified  
13 property which is placed in service by a Department of  
14 Commerce and Economic Opportunity designated High Impact  
15 Business. The credit shall be .5% of the basis for such  
16 property. The credit shall not be available (i) until the  
17 minimum investments in qualified property set forth in  
18 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
19 Enterprise Zone Act have been satisfied or (ii) until the  
20 time authorized in subsection (b-5) of the Illinois  
21 Enterprise Zone Act for entities designated as High Impact  
22 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
23 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
24 Act, and shall not be allowed to the extent that it would  
25 reduce a taxpayer's liability for the tax imposed by  
26 subsections (a) and (b) of this Section to below zero. The

1 credit applicable to such investments shall be taken in  
2 the taxable year in which such investments have been  
3 completed. The credit for additional investments beyond  
4 the minimum investment by a designated high impact  
5 business authorized under subdivision (a) (3) (A) of Section  
6 5.5 of the Illinois Enterprise Zone Act shall be available  
7 only in the taxable year in which the property is placed in  
8 service and shall not be allowed to the extent that it  
9 would reduce a taxpayer's liability for the tax imposed by  
10 subsections (a) and (b) of this Section to below zero. For  
11 tax years ending on or after December 31, 1987, the credit  
12 shall be allowed for the tax year in which the property is  
13 placed in service, or, if the amount of the credit exceeds  
14 the tax liability for that year, whether it exceeds the  
15 original liability or the liability as later amended, such  
16 excess may be carried forward and applied to the tax  
17 liability of the 5 taxable years following the excess  
18 credit year. The credit shall be applied to the earliest  
19 year for which there is a liability. If there is credit  
20 from more than one tax year that is available to offset a  
21 liability, the credit accruing first in time shall be  
22 applied first.

23 Changes made in this subdivision (h) (1) by Public Act  
24 88-670 restore changes made by Public Act 85-1182 and  
25 reflect existing law.

26 (2) The term qualified property means property which:

1 (A) is tangible, whether new or used, including  
2 buildings and structural components of buildings;

3 (B) is depreciable pursuant to Section 167 of the  
4 Internal Revenue Code, except that "3-year property"  
5 as defined in Section 168(c)(2)(A) of that Code is not  
6 eligible for the credit provided by this subsection  
7 (h);

8 (C) is acquired by purchase as defined in Section  
9 179(d) of the Internal Revenue Code; and

10 (D) is not eligible for the Enterprise Zone  
11 Investment Credit provided by subsection (f) of this  
12 Section.

13 (3) The basis of qualified property shall be the basis  
14 used to compute the depreciation deduction for federal  
15 income tax purposes.

16 (4) If the basis of the property for federal income  
17 tax depreciation purposes is increased after it has been  
18 placed in service in a federally designated Foreign Trade  
19 Zone or Sub-Zone located in Illinois by the taxpayer, the  
20 amount of such increase shall be deemed property placed in  
21 service on the date of such increase in basis.

22 (5) The term "placed in service" shall have the same  
23 meaning as under Section 46 of the Internal Revenue Code.

24 (6) If during any taxable year ending on or before  
25 December 31, 1996, any property ceases to be qualified  
26 property in the hands of the taxpayer within 48 months

1 after being placed in service, or the situs of any  
2 qualified property is moved outside Illinois within 48  
3 months after being placed in service, the tax imposed  
4 under subsections (a) and (b) of this Section for such  
5 taxable year shall be increased. Such increase shall be  
6 determined by (i) recomputing the investment credit which  
7 would have been allowed for the year in which credit for  
8 such property was originally allowed by eliminating such  
9 property from such computation, and (ii) subtracting such  
10 recomputed credit from the amount of credit previously  
11 allowed. For the purposes of this paragraph (6), a  
12 reduction of the basis of qualified property resulting  
13 from a redetermination of the purchase price shall be  
14 deemed a disposition of qualified property to the extent  
15 of such reduction.

16 (7) Beginning with tax years ending after December 31,  
17 1996, if a taxpayer qualifies for the credit under this  
18 subsection (h) and thereby is granted a tax abatement and  
19 the taxpayer relocates its entire facility in violation of  
20 the explicit terms and length of the contract under  
21 Section 18-183 of the Property Tax Code, the tax imposed  
22 under subsections (a) and (b) of this Section shall be  
23 increased for the taxable year in which the taxpayer  
24 relocated its facility by an amount equal to the amount of  
25 credit received by the taxpayer under this subsection (h).

26 (h-5) High Impact Business construction jobs credit. For

1 taxable years beginning on or after January 1, 2021, there  
2 shall also be allowed a High Impact Business construction jobs  
3 credit against the tax imposed under subsections (a) and (b)  
4 of this Section as provided in subsections (i) and (j) of  
5 Section 5.5 of the Illinois Enterprise Zone Act.

6 The credit or credits may not reduce the taxpayer's  
7 liability to less than zero. If the amount of the credit or  
8 credits exceeds the taxpayer's liability, the excess may be  
9 carried forward and applied against the taxpayer's liability  
10 in succeeding calendar years in the manner provided under  
11 paragraph (4) of Section 211 of this Act. The credit or credits  
12 shall be applied to the earliest year for which there is a tax  
13 liability. If there are credits from more than one taxable  
14 year that are available to offset a liability, the earlier  
15 credit shall be applied first.

16 For partners, shareholders of Subchapter S corporations,  
17 and owners of limited liability companies, for taxable years  
18 ending before December 31, 2023, if the liability company is  
19 treated as a partnership for the purposes of federal and State  
20 income taxation, there shall be allowed a credit under this  
21 Section to be determined in accordance with the determination  
22 of income and distributive share of income under Sections 702  
23 and 704 and Subchapter S of the Internal Revenue Code. For  
24 taxable years ending on or after December 31, 2023, for  
25 partners and shareholders of Subchapter S corporations, the  
26 provisions of Section 251 shall apply with respect to the

1 credit under this subsection.

2 The total aggregate amount of credits awarded under the  
3 Blue Collar Jobs Act (Article 20 of Public Act 101-9) shall not  
4 exceed \$20,000,000 in any State fiscal year.

5 This subsection (h-5) is exempt from the provisions of  
6 Section 250.

7 (i) Credit for Personal Property Tax Replacement Income  
8 Tax. For tax years ending prior to December 31, 2003, a credit  
9 shall be allowed against the tax imposed by subsections (a)  
10 and (b) of this Section for the tax imposed by subsections (c)  
11 and (d) of this Section. This credit shall be computed by  
12 multiplying the tax imposed by subsections (c) and (d) of this  
13 Section by a fraction, the numerator of which is base income  
14 allocable to Illinois and the denominator of which is Illinois  
15 base income, and further multiplying the product by the tax  
16 rate imposed by subsections (a) and (b) of this Section.

17 Any credit earned on or after December 31, 1986 under this  
18 subsection which is unused in the year the credit is computed  
19 because it exceeds the tax liability imposed by subsections  
20 (a) and (b) for that year (whether it exceeds the original  
21 liability or the liability as later amended) may be carried  
22 forward and applied to the tax liability imposed by  
23 subsections (a) and (b) of the 5 taxable years following the  
24 excess credit year, provided that no credit may be carried  
25 forward to any year ending on or after December 31, 2003. This  
26 credit shall be applied first to the earliest year for which

1 there is a liability. If there is a credit under this  
2 subsection from more than one tax year that is available to  
3 offset a liability the earliest credit arising under this  
4 subsection shall be applied first.

5 If, during any taxable year ending on or after December  
6 31, 1986, the tax imposed by subsections (c) and (d) of this  
7 Section for which a taxpayer has claimed a credit under this  
8 subsection (i) is reduced, the amount of credit for such tax  
9 shall also be reduced. Such reduction shall be determined by  
10 recomputing the credit to take into account the reduced tax  
11 imposed by subsections (c) and (d). If any portion of the  
12 reduced amount of credit has been carried to a different  
13 taxable year, an amended return shall be filed for such  
14 taxable year to reduce the amount of credit claimed.

15 (j) Training expense credit. Beginning with tax years  
16 ending on or after December 31, 1986 and prior to December 31,  
17 2003, a taxpayer shall be allowed a credit against the tax  
18 imposed by subsections (a) and (b) under this Section for all  
19 amounts paid or accrued, on behalf of all persons employed by  
20 the taxpayer in Illinois or Illinois residents employed  
21 outside of Illinois by a taxpayer, for educational or  
22 vocational training in semi-technical or technical fields or  
23 semi-skilled or skilled fields, which were deducted from gross  
24 income in the computation of taxable income. The credit  
25 against the tax imposed by subsections (a) and (b) shall be  
26 1.6% of such training expenses. For partners, shareholders of

1 subchapter S corporations, and owners of limited liability  
2 companies, if the liability company is treated as a  
3 partnership for purposes of federal and State income taxation,  
4 for taxable years ending before December 31, 2023, there shall  
5 be allowed a credit under this subsection (j) to be determined  
6 in accordance with the determination of income and  
7 distributive share of income under Sections 702 and 704 and  
8 subchapter S of the Internal Revenue Code. For taxable years  
9 ending on or after December 31, 2023, for partners and  
10 shareholders of Subchapter S corporations, the provisions of  
11 Section 251 shall apply with respect to the credit under this  
12 subsection.

13 Any credit allowed under this subsection which is unused  
14 in the year the credit is earned may be carried forward to each  
15 of the 5 taxable years following the year for which the credit  
16 is first computed until it is used. This credit shall be  
17 applied first to the earliest year for which there is a  
18 liability. If there is a credit under this subsection from  
19 more than one tax year that is available to offset a liability,  
20 the earliest credit arising under this subsection shall be  
21 applied first. No carryforward credit may be claimed in any  
22 tax year ending on or after December 31, 2003.

23 (k) Research and development credit. For tax years ending  
24 after July 1, 1990 and prior to December 31, 2003, and  
25 beginning again for tax years ending on or after December 31,  
26 2004, and ending prior to January 1, 2032, a taxpayer shall be

1 allowed a credit against the tax imposed by subsections (a)  
2 and (b) of this Section for increasing research activities in  
3 this State. The credit allowed against the tax imposed by  
4 subsections (a) and (b) shall be equal to 6 1/2% of the  
5 qualifying expenditures for increasing research activities in  
6 this State. For partners, shareholders of subchapter S  
7 corporations, and owners of limited liability companies, if  
8 the liability company is treated as a partnership for purposes  
9 of federal and State income taxation, for taxable years ending  
10 before December 31, 2023, there shall be allowed a credit  
11 under this subsection to be determined in accordance with the  
12 determination of income and distributive share of income under  
13 Sections 702 and 704 and subchapter S of the Internal Revenue  
14 Code. For taxable years ending on or after December 31, 2023,  
15 for partners and shareholders of Subchapter S corporations,  
16 the provisions of Section 251 shall apply with respect to the  
17 credit under this subsection.

18 For purposes of this subsection, "qualifying expenditures"  
19 means the qualifying expenditures as defined for the federal  
20 credit for increasing research activities which would be  
21 allowable under Section 41 of the Internal Revenue Code and  
22 which are conducted in this State, "qualifying expenditures  
23 for increasing research activities in this State" means the  
24 excess of qualifying expenditures for the taxable year in  
25 which incurred over qualifying expenditures for the base  
26 period, "qualifying expenditures for the base period" means

1 the average of the qualifying expenditures for each year in  
2 the base period, and "base period" means the 3 taxable years  
3 immediately preceding the taxable year for which the  
4 determination is being made.

5 Any credit in excess of the tax liability for the taxable  
6 year may be carried forward. A taxpayer may elect to have the  
7 unused credit shown on its final completed return carried over  
8 as a credit against the tax liability for the following 5  
9 taxable years or until it has been fully used, whichever  
10 occurs first; provided that no credit earned in a tax year  
11 ending prior to December 31, 2003 may be carried forward to any  
12 year ending on or after December 31, 2003.

13 If an unused credit is carried forward to a given year from  
14 2 or more earlier years, that credit arising in the earliest  
15 year will be applied first against the tax liability for the  
16 given year. If a tax liability for the given year still  
17 remains, the credit from the next earliest year will then be  
18 applied, and so on, until all credits have been used or no tax  
19 liability for the given year remains. Any remaining unused  
20 credit or credits then will be carried forward to the next  
21 following year in which a tax liability is incurred, except  
22 that no credit can be carried forward to a year which is more  
23 than 5 years after the year in which the expense for which the  
24 credit is given was incurred.

25 No inference shall be drawn from Public Act 91-644 in  
26 construing this Section for taxable years beginning before

1 January 1, 1999.

2 It is the intent of the General Assembly that the research  
3 and development credit under this subsection (k) shall apply  
4 continuously for all tax years ending on or after December 31,  
5 2004 and ending prior to January 1, 2032, including, but not  
6 limited to, the period beginning on January 1, 2016 and ending  
7 on July 6, 2017 (the effective date of Public Act 100-22). All  
8 actions taken in reliance on the continuation of the credit  
9 under this subsection (k) by any taxpayer are hereby  
10 validated.

11 (l) Environmental Remediation Tax Credit.

12 (i) For tax years ending after December 31, 1997 and  
13 on or before December 31, 2001, a taxpayer shall be  
14 allowed a credit against the tax imposed by subsections  
15 (a) and (b) of this Section for certain amounts paid for  
16 unreimbursed eligible remediation costs, as specified in  
17 this subsection. For purposes of this Section,  
18 "unreimbursed eligible remediation costs" means costs  
19 approved by the Illinois Environmental Protection Agency  
20 ("Agency") under Section 58.14 of the Environmental  
21 Protection Act that were paid in performing environmental  
22 remediation at a site for which a No Further Remediation  
23 Letter was issued by the Agency and recorded under Section  
24 58.10 of the Environmental Protection Act. The credit must  
25 be claimed for the taxable year in which Agency approval  
26 of the eligible remediation costs is granted. The credit

1 is not available to any taxpayer if the taxpayer or any  
2 related party caused or contributed to, in any material  
3 respect, a release of regulated substances on, in, or  
4 under the site that was identified and addressed by the  
5 remedial action pursuant to the Site Remediation Program  
6 of the Environmental Protection Act. After the Pollution  
7 Control Board rules are adopted pursuant to the Illinois  
8 Administrative Procedure Act for the administration and  
9 enforcement of Section 58.9 of the Environmental  
10 Protection Act, determinations as to credit availability  
11 for purposes of this Section shall be made consistent with  
12 those rules. For purposes of this Section, "taxpayer"  
13 includes a person whose tax attributes the taxpayer has  
14 succeeded to under Section 381 of the Internal Revenue  
15 Code and "related party" includes the persons disallowed a  
16 deduction for losses by paragraphs (b), (c), and (f)(1) of  
17 Section 267 of the Internal Revenue Code by virtue of  
18 being a related taxpayer, as well as any of its partners.  
19 The credit allowed against the tax imposed by subsections  
20 (a) and (b) shall be equal to 25% of the unreimbursed  
21 eligible remediation costs in excess of \$100,000 per site,  
22 except that the \$100,000 threshold shall not apply to any  
23 site contained in an enterprise zone as determined by the  
24 Department of Commerce and Community Affairs (now  
25 Department of Commerce and Economic Opportunity). The  
26 total credit allowed shall not exceed \$40,000 per year

1 with a maximum total of \$150,000 per site. For partners  
2 and shareholders of subchapter S corporations, there shall  
3 be allowed a credit under this subsection to be determined  
4 in accordance with the determination of income and  
5 distributive share of income under Sections 702 and 704  
6 and subchapter S of the Internal Revenue Code.

7 (ii) A credit allowed under this subsection that is  
8 unused in the year the credit is earned may be carried  
9 forward to each of the 5 taxable years following the year  
10 for which the credit is first earned until it is used. The  
11 term "unused credit" does not include any amounts of  
12 unreimbursed eligible remediation costs in excess of the  
13 maximum credit per site authorized under paragraph (i).  
14 This credit shall be applied first to the earliest year  
15 for which there is a liability. If there is a credit under  
16 this subsection from more than one tax year that is  
17 available to offset a liability, the earliest credit  
18 arising under this subsection shall be applied first. A  
19 credit allowed under this subsection may be sold to a  
20 buyer as part of a sale of all or part of the remediation  
21 site for which the credit was granted. The purchaser of a  
22 remediation site and the tax credit shall succeed to the  
23 unused credit and remaining carry-forward period of the  
24 seller. To perfect the transfer, the assignor shall record  
25 the transfer in the chain of title for the site and provide  
26 written notice to the Director of the Illinois Department

1 of Revenue of the assignor's intent to sell the  
2 remediation site and the amount of the tax credit to be  
3 transferred as a portion of the sale. In no event may a  
4 credit be transferred to any taxpayer if the taxpayer or a  
5 related party would not be eligible under the provisions  
6 of subsection (i).

7 (iii) For purposes of this Section, the term "site"  
8 shall have the same meaning as under Section 58.2 of the  
9 Environmental Protection Act.

10 (m) Education expense credit. Beginning with tax years  
11 ending after December 31, 1999, a taxpayer who is the  
12 custodian of one or more qualifying pupils shall be allowed a  
13 credit against the tax imposed by subsections (a) and (b) of  
14 this Section for qualified education expenses incurred on  
15 behalf of the qualifying pupils. The credit shall be equal to  
16 25% of qualified education expenses, but in no event may the  
17 total credit under this subsection claimed by a family that is  
18 the custodian of qualifying pupils exceed (i) \$500 for tax  
19 years ending prior to December 31, 2017, and (ii) \$750 for tax  
20 years ending on or after December 31, 2017. In no event shall a  
21 credit under this subsection reduce the taxpayer's liability  
22 under this Act to less than zero. Notwithstanding any other  
23 provision of law, for taxable years beginning on or after  
24 January 1, 2017, no taxpayer may claim a credit under this  
25 subsection (m) if the taxpayer's adjusted gross income for the  
26 taxable year exceeds (i) \$500,000, in the case of spouses

1 filing a joint federal tax return or (ii) \$250,000, in the case  
2 of all other taxpayers. This subsection is exempt from the  
3 provisions of Section 250 of this Act.

4 For purposes of this subsection:

5 "Qualifying pupils" means individuals who (i) are  
6 residents of the State of Illinois, (ii) are under the age of  
7 21 at the close of the school year for which a credit is  
8 sought, and (iii) during the school year for which a credit is  
9 sought were full-time pupils enrolled in a kindergarten  
10 through twelfth grade education program at any school, as  
11 defined in this subsection.

12 "Qualified education expense" means the amount incurred on  
13 behalf of a qualifying pupil in excess of \$250 for tuition,  
14 book fees, and lab fees at the school in which the pupil is  
15 enrolled during the regular school year.

16 "School" means any public or nonpublic elementary or  
17 secondary school in Illinois that is in compliance with Title  
18 VI of the Civil Rights Act of 1964 and attendance at which  
19 satisfies the requirements of Section 26-1 of the School Code,  
20 except that nothing shall be construed to require a child to  
21 attend any particular public or nonpublic school to qualify  
22 for the credit under this Section.

23 "Custodian" means, with respect to qualifying pupils, an  
24 Illinois resident who is a parent, the parents, a legal  
25 guardian, or the legal guardians of the qualifying pupils.

26 (n) River Edge Redevelopment Zone site remediation tax

1 credit.

2 (i) For tax years ending on or after December 31,  
3 2006, a taxpayer shall be allowed a credit against the tax  
4 imposed by subsections (a) and (b) of this Section for  
5 certain amounts paid for unreimbursed eligible remediation  
6 costs, as specified in this subsection. For purposes of  
7 this Section, "unreimbursed eligible remediation costs"  
8 means costs approved by the Illinois Environmental  
9 Protection Agency ("Agency") under Section 58.14a of the  
10 Environmental Protection Act that were paid in performing  
11 environmental remediation at a site within a River Edge  
12 Redevelopment Zone for which a No Further Remediation  
13 Letter was issued by the Agency and recorded under Section  
14 58.10 of the Environmental Protection Act. The credit must  
15 be claimed for the taxable year in which Agency approval  
16 of the eligible remediation costs is granted. The credit  
17 is not available to any taxpayer if the taxpayer or any  
18 related party caused or contributed to, in any material  
19 respect, a release of regulated substances on, in, or  
20 under the site that was identified and addressed by the  
21 remedial action pursuant to the Site Remediation Program  
22 of the Environmental Protection Act. Determinations as to  
23 credit availability for purposes of this Section shall be  
24 made consistent with rules adopted by the Pollution  
25 Control Board pursuant to the Illinois Administrative  
26 Procedure Act for the administration and enforcement of

1 Section 58.9 of the Environmental Protection Act. For  
2 purposes of this Section, "taxpayer" includes a person  
3 whose tax attributes the taxpayer has succeeded to under  
4 Section 381 of the Internal Revenue Code and "related  
5 party" includes the persons disallowed a deduction for  
6 losses by paragraphs (b), (c), and (f)(1) of Section 267  
7 of the Internal Revenue Code by virtue of being a related  
8 taxpayer, as well as any of its partners. The credit  
9 allowed against the tax imposed by subsections (a) and (b)  
10 shall be equal to 25% of the unreimbursed eligible  
11 remediation costs in excess of \$100,000 per site.

12 (ii) A credit allowed under this subsection that is  
13 unused in the year the credit is earned may be carried  
14 forward to each of the 5 taxable years following the year  
15 for which the credit is first earned until it is used. This  
16 credit shall be applied first to the earliest year for  
17 which there is a liability. If there is a credit under this  
18 subsection from more than one tax year that is available  
19 to offset a liability, the earliest credit arising under  
20 this subsection shall be applied first. A credit allowed  
21 under this subsection may be sold to a buyer as part of a  
22 sale of all or part of the remediation site for which the  
23 credit was granted. The purchaser of a remediation site  
24 and the tax credit shall succeed to the unused credit and  
25 remaining carry-forward period of the seller. To perfect  
26 the transfer, the assignor shall record the transfer in

1 the chain of title for the site and provide written notice  
2 to the Director of the Illinois Department of Revenue of  
3 the assignor's intent to sell the remediation site and the  
4 amount of the tax credit to be transferred as a portion of  
5 the sale. In no event may a credit be transferred to any  
6 taxpayer if the taxpayer or a related party would not be  
7 eligible under the provisions of subsection (i).

8 (iii) For purposes of this Section, the term "site"  
9 shall have the same meaning as under Section 58.2 of the  
10 Environmental Protection Act.

11 (o) For each of taxable years during the Compassionate Use  
12 of Medical Cannabis Program, a surcharge is imposed on all  
13 taxpayers on income arising from the sale or exchange of  
14 capital assets, depreciable business property, real property  
15 used in the trade or business, and Section 197 intangibles of  
16 an organization registrant under the Compassionate Use of  
17 Medical Cannabis Program Act. The amount of the surcharge is  
18 equal to the amount of federal income tax liability for the  
19 taxable year attributable to those sales and exchanges. The  
20 surcharge imposed does not apply if:

21 (1) the medical cannabis cultivation center  
22 registration, medical cannabis dispensary registration, or  
23 the property of a registration is transferred as a result  
24 of any of the following:

25 (A) bankruptcy, a receivership, or a debt  
26 adjustment initiated by or against the initial

1 registration or the substantial owners of the initial  
2 registration;

3 (B) cancellation, revocation, or termination of  
4 any registration by the Illinois Department of Public  
5 Health;

6 (C) a determination by the Illinois Department of  
7 Public Health that transfer of the registration is in  
8 the best interests of Illinois qualifying patients as  
9 defined by the Compassionate Use of Medical Cannabis  
10 Program Act;

11 (D) the death of an owner of the equity interest in  
12 a registrant;

13 (E) the acquisition of a controlling interest in  
14 the stock or substantially all of the assets of a  
15 publicly traded company;

16 (F) a transfer by a parent company to a wholly  
17 owned subsidiary; or

18 (G) the transfer or sale to or by one person to  
19 another person where both persons were initial owners  
20 of the registration when the registration was issued;  
21 or

22 (2) the cannabis cultivation center registration,  
23 medical cannabis dispensary registration, or the  
24 controlling interest in a registrant's property is  
25 transferred in a transaction to lineal descendants in  
26 which no gain or loss is recognized or as a result of a

1 transaction in accordance with Section 351 of the Internal  
2 Revenue Code in which no gain or loss is recognized.

3 (p) Pass-through entity tax.

4 (1) For taxable years ending on or after December 31,  
5 2021 and beginning prior to January 1, 2030 ~~January 1,~~  
6 ~~2026~~, a partnership (other than a publicly traded  
7 partnership under Section 7704 of the Internal Revenue  
8 Code) or Subchapter S corporation may elect to apply the  
9 provisions of this subsection. A separate election shall  
10 be made for each taxable year. Such election shall be made  
11 at such time, and in such form and manner as prescribed by  
12 the Department, and, once made, is irrevocable.

13 (2) Entity-level tax. A partnership or Subchapter S  
14 corporation electing to apply the provisions of this  
15 subsection shall be subject to a tax for the privilege of  
16 earning or receiving income in this State in an amount  
17 equal to 4.95% of the taxpayer's net income for the  
18 taxable year.

19 (3) Net income defined.

20 (A) In general. For purposes of paragraph (2), the  
21 term net income has the same meaning as defined in  
22 Section 202 of this Act, except that, for tax years  
23 ending on or after December 31, 2023, a deduction  
24 shall be allowed in computing base income for  
25 distributions to a retired partner to the extent that  
26 the partner's distributions are exempt from tax under

1 Section 203(a)(2)(F) of this Act. In addition, the  
2 following modifications shall not apply:

3 (i) the standard exemption allowed under  
4 Section 204;

5 (ii) the deduction for net losses allowed  
6 under Section 207;

7 (iii) in the case of an S corporation, the  
8 modification under Section 203(b)(2)(S); and

9 (iv) in the case of a partnership, the  
10 modifications under Section 203(d)(2)(H) and  
11 Section 203(d)(2)(I).

12 (B) Special rule for tiered partnerships. If a  
13 taxpayer making the election under paragraph (1) is a  
14 partner of another taxpayer making the election under  
15 paragraph (1), net income shall be computed as  
16 provided in subparagraph (A), except that the taxpayer  
17 shall subtract its distributive share of the net  
18 income of the electing partnership (including its  
19 distributive share of the net income of the electing  
20 partnership derived as a distributive share from  
21 electing partnerships in which it is a partner).

22 (4) Credit for entity level tax. Each partner or  
23 shareholder of a taxpayer making the election under this  
24 Section shall be allowed a credit against the tax imposed  
25 under subsections (a) and (b) of Section 201 of this Act  
26 for the taxable year of the partnership or Subchapter S

1 corporation for which an election is in effect ending  
2 within or with the taxable year of the partner or  
3 shareholder in an amount equal to 4.95% times the partner  
4 or shareholder's distributive share of the net income of  
5 the electing partnership or Subchapter S corporation, but  
6 not to exceed the partner's or shareholder's share of the  
7 tax imposed under paragraph (1) which is actually paid by  
8 the partnership or Subchapter S corporation. If the  
9 taxpayer is a partnership or Subchapter S corporation that  
10 is itself a partner of a partnership making the election  
11 under paragraph (1), the credit under this paragraph shall  
12 be allowed to the taxpayer's partners or shareholders (or  
13 if the partner is a partnership or Subchapter S  
14 corporation then its partners or shareholders) in  
15 accordance with the determination of income and  
16 distributive share of income under Sections 702 and 704  
17 and Subchapter S of the Internal Revenue Code. If the  
18 amount of the credit allowed under this paragraph exceeds  
19 the partner's or shareholder's liability for tax imposed  
20 under subsections (a) and (b) of Section 201 of this Act  
21 for the taxable year, such excess shall be treated as an  
22 overpayment for purposes of Section 909 of this Act.

23 (5) Nonresidents. A nonresident individual who is a  
24 partner or shareholder of a partnership or Subchapter S  
25 corporation for a taxable year for which an election is in  
26 effect under paragraph (1) shall not be required to file

1 an income tax return under this Act for such taxable year  
2 if the only source of net income of the individual (or the  
3 individual and the individual's spouse in the case of a  
4 joint return) is from an entity making the election under  
5 paragraph (1) and the credit allowed to the partner or  
6 shareholder under paragraph (4) equals or exceeds the  
7 individual's liability for the tax imposed under  
8 subsections (a) and (b) of Section 201 of this Act for the  
9 taxable year.

10 (6) Liability for tax. Except as provided in this  
11 paragraph, a partnership or Subchapter S making the  
12 election under paragraph (1) is liable for the  
13 entity-level tax imposed under paragraph (2). If the  
14 electing partnership or corporation fails to pay the full  
15 amount of tax deemed assessed under paragraph (2), the  
16 partners or shareholders shall be liable to pay the tax  
17 assessed (including penalties and interest). Each partner  
18 or shareholder shall be liable for the unpaid assessment  
19 based on the ratio of the partner's or shareholder's share  
20 of the net income of the partnership over the total net  
21 income of the partnership. If the partnership or  
22 Subchapter S corporation fails to pay the tax assessed  
23 (including penalties and interest) and thereafter an  
24 amount of such tax is paid by the partners or  
25 shareholders, such amount shall not be collected from the  
26 partnership or corporation.

1           (7) Foreign tax. For purposes of the credit allowed  
2           under Section 601(b)(3) of this Act, tax paid by a  
3           partnership or Subchapter S corporation to another state  
4           which, as determined by the Department, is substantially  
5           similar to the tax imposed under this subsection, shall be  
6           considered tax paid by the partner or shareholder to the  
7           extent that the partner's or shareholder's share of the  
8           income of the partnership or Subchapter S corporation  
9           allocated and apportioned to such other state bears to the  
10          total income of the partnership or Subchapter S  
11          corporation allocated or apportioned to such other state.

12          (8) Suspension of withholding. The provisions of  
13          Section 709.5 of this Act shall not apply to a partnership  
14          or Subchapter S corporation for the taxable year for which  
15          an election under paragraph (1) is in effect.

16          (9) Requirement to pay estimated tax. For each taxable  
17          year for which an election under paragraph (1) is in  
18          effect, a partnership or Subchapter S corporation is  
19          required to pay estimated tax for such taxable year under  
20          Sections 803 and 804 of this Act if the amount payable as  
21          estimated tax can reasonably be expected to exceed \$500.

22          (10) The provisions of this subsection shall apply  
23          only with respect to taxable years for which the  
24          limitation on individual deductions applies under Section  
25          164(b)(6) of the Internal Revenue Code.

26          (Source: P.A. 102-558, eff. 8-20-21; 102-658, eff. 8-27-21;

1 103-9, eff. 6-7-23; 103-396, eff. 1-1-24; 103-595, eff.  
2 6-26-24; 103-605, eff. 7-1-24.)

3 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

4 Sec. 203. Base income defined.

5 (a) Individuals.

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

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

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

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

24 (C) An amount equal to the amount received during  
25 the taxable year as a recovery or refund of real

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

11 (D) An amount equal to the amount of the capital  
12 gain deduction allowable under the Internal Revenue  
13 Code, to the extent deducted from gross income in the  
14 computation of adjusted gross income;

15 (D-5) An amount, to the extent not included in  
16 adjusted gross income, equal to the amount of money  
17 withdrawn by the taxpayer in the taxable year from a  
18 medical care savings account and the interest earned  
19 on the account in the taxable year of a withdrawal  
20 pursuant to subsection (b) of Section 20 of the  
21 Medical Care Savings Account Act or subsection (b) of  
22 Section 20 of the Medical Care Savings Account Act of  
23 2000;

24 (D-10) For taxable years ending after December 31,  
25 1997, an amount equal to any eligible remediation  
26 costs that the individual deducted in computing

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

3 (D-15) For taxable years 2001 through 2025 ~~and~~  
4 ~~thereafter~~, an amount equal to the bonus depreciation  
5 deduction taken on the taxpayer's federal income tax  
6 return for the taxable year under subsection (k) of  
7 Section 168 of the Internal Revenue Code;

8 (D-16) 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 (D-15), then  
12 an amount equal to the aggregate amount of the  
13 deductions taken in all taxable years under  
14 subparagraph (Z) 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 (Z) and for which the taxpayer was  
19 allowed in any taxable year to make a subtraction  
20 modification under subparagraph (Z), 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 (D-17) 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 that 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 under Sections 951 through  
21 964 of the Internal Revenue Code and amounts included  
22 in gross income under Section 78 of the Internal  
23 Revenue Code) with respect to the stock of the same  
24 person to whom the interest was paid, accrued, or  
25 incurred. For taxable years ending on and after  
26 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 (D-18) 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 under Sections 951 through 964 of the Internal  
23 Revenue Code and amounts included in gross income  
24 under Section 78 of the Internal Revenue Code) with  
25 respect to the stock of the same person to whom the  
26 intangible expenses and costs were directly or

1 indirectly paid, incurred, or accrued. The preceding  
2 sentence does not apply to the extent that the same  
3 dividends caused a reduction to the addition  
4 modification required under Section 203(a)(2)(D-17) 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           (D-19) 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(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
11 Act;

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

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

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

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

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

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

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

1 nonqualified withdrawal or refund that was previously  
2 deducted from base income under subsection (a) (2) (HH)  
3 of this Section;

4 (D-23) An amount equal to the credit allowable to  
5 the taxpayer under Section 218(a) of this Act,  
6 determined without regard to Section 218(c) of this  
7 Act;

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

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

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

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

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

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

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

8 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (Z) For taxable years 2001 through 2025 ~~and~~  
11 ~~thereafter~~, for the taxable year in which the bonus  
12 depreciation deduction is taken on the taxpayer's  
13 federal income tax return under subsection (k) of  
14 Section 168 of the Internal Revenue Code and for each  
15 applicable taxable year thereafter, an amount equal to  
16 "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 (Z) is exempt from the provisions of  
13          Section 250;

14          (AA) If the taxpayer sells, transfers, abandons,  
15          or otherwise disposes of property for which the  
16          taxpayer was required in any taxable year to make an  
17          addition modification under subparagraph (D-15), then  
18          an amount 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 (Z) and for which the taxpayer was  
23          required in any taxable year to make an addition  
24          modification under subparagraph (D-15), 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 (AA) is exempt from the  
4 provisions of Section 250;

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

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

25 (DD) An amount equal to the interest income taken  
26 into account for the taxable year (net of the

1           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(a)(2)(D-17) for interest paid, accrued, or  
17          incurred, directly or indirectly, to the same person.  
18          This subparagraph (DD) is exempt from the provisions  
19          of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (NN) For taxable years that begin on or after  
24 January 1, 2026 and begin before January 1, 2029, an  
25 amount equal to the amount of qualified tips included  
26 in the taxpayer's federal adjusted gross income for

1 the taxable year, but not to exceed the limitation on  
2 the amount of the deduction for qualified tips set  
3 forth in Section 70201 of the Internal Revenue Code;  
4 as used in this subparagraph (NN), the term "qualified  
5 tips" has the meaning given to that term in Section  
6 70201 of the Internal Revenue Code; all reporting and  
7 eligibility requirements for the deduction under this  
8 subparagraph (NN) shall be coupled with provisions  
9 under Section 70201 of the Internal Revenue Code;

10 (OO) For taxable years that begin on or after  
11 January 1, 2026 and begin before January 1, 2029, an  
12 amount equal to the amount of qualified overtime  
13 compensation included in the taxpayer's federal  
14 adjusted gross income for the taxable year; as used in  
15 this subparagraph (OO), "qualified overtime  
16 compensation" has the meaning given to that term in  
17 Section 70202 of the Internal Revenue Code; all  
18 reporting and eligibility requirements for the  
19 deduction under this subparagraph (OO) shall be  
20 coupled with provisions under Section 70202 of the  
21 Internal Revenue Code;

22 (PP) For taxable years that begin on or after  
23 January 1, 2026 and begin before January 1, 2029, an  
24 amount equal to \$6,000 for each taxpayer who is a  
25 qualified individual; as used in this subparagraph  
26 (PP), "qualified individual" has the meaning given to

1 that term in Section 70103 of the Internal Revenue  
2 Code; and

3 (QQ) For taxable years that begin on or after  
4 January 1, 2026 and begin before January 1, 2029, an  
5 amount equal to the qualified passenger vehicle loan  
6 interest paid by the taxpayer during the taxable year;  
7 as used in this subparagraph (QQ), "qualified  
8 passenger vehicle loan interest" has the meaning given  
9 to that term in Section 70203 of the Internal Revenue  
10 Code.

11 (b) Corporations.

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

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

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

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

1 year;

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

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

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

26 (i) the addition modification relating to the

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

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

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

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

25 (E-10) For taxable years 2001 through 2025 ~~and~~  
26 ~~thereafter~~, an amount equal to the bonus depreciation

1 deduction taken on the taxpayer's federal income tax  
2 return for the taxable year under subsection (k) of  
3 Section 168 of the Internal Revenue Code;

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

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

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

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

1 fact the foreign person's business activity outside  
2 the United States is 80% or more of the foreign  
3 person's total business activity and (ii) for taxable  
4 years ending on or after December 31, 2008, to a person  
5 who would be a member of the same unitary business  
6 group but for the fact that the person is prohibited  
7 under Section 1501(a)(27) from being included in the  
8 unitary business group because he or she is ordinarily  
9 required to apportion business income under different  
10 subsections of Section 304. The addition modification  
11 required by this subparagraph shall be reduced to the  
12 extent that dividends were included in base income of  
13 the unitary group for the same taxable year and  
14 received by the taxpayer or by a member of the  
15 taxpayer's unitary business group (including amounts  
16 included in gross income pursuant to Sections 951  
17 through 964 of the Internal Revenue Code and amounts  
18 included in gross income under Section 78 of the  
19 Internal Revenue Code) with respect to the stock of  
20 the same person to whom the interest was paid,  
21 accrued, or incurred. For taxable years ending on and  
22 after December 31, 2025, for purposes of applying this  
23 paragraph in the case of a taxpayer to which Section  
24 163(j) of the Internal Revenue Code applies for the  
25 taxable year, the reduction in the amount of interest  
26 for which a deduction is allowed by reason of Section

1           163(j) shall be treated as allocable first to persons  
2           who are not foreign persons referred to in this  
3           paragraph and then to such foreign persons.

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

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

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

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

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

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

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

15 For taxable years ending on or after December 31,  
16 2025, this paragraph shall not apply to the following:

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

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

25 (b) the transaction giving rise to the  
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the  
2 avoidance of Illinois income tax, and is paid  
3 pursuant to a contract or agreement that  
4 reflects an arm's-length interest rate and  
5 terms; or

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

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

22 (E-13) An amount equal to the amount of intangible  
23 expenses and costs otherwise allowed as a deduction in  
24 computing base income, and that were paid, accrued, or  
25 incurred, directly or indirectly, (i) for taxable  
26 years ending on or after December 31, 2004, to a

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 stock of the same person to whom the premiums and costs  
2 were directly or indirectly paid, incurred, or  
3 accrued. The preceding sentence does not apply to the  
4 extent that the same dividends caused a reduction to  
5 the addition modification required under Section  
6 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
7 Act;

8 (E-15) For taxable years beginning after December  
9 31, 2008, any deduction for dividends paid by a  
10 captive real estate investment trust that is allowed  
11 to a real estate investment trust under Section  
12 857(b)(2)(B) of the Internal Revenue Code for  
13 dividends paid;

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

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

22 (E-18) for taxable years beginning after December  
23 31, 2018, an amount equal to the deduction allowed  
24 under Section 250(a)(1)(A) of the Internal Revenue  
25 Code for the taxable year;

26 (E-19) for taxable years ending on or after June

1           30, 2021, an amount equal to the deduction allowed  
2           under Section 250(a)(1)(B)(i) of the Internal Revenue  
3           Code for the taxable year;

4           (E-20) for taxable years ending on or after June  
5           30, 2021, an amount equal to the deduction allowed  
6           under Sections 243(e) and 245A(a) of the Internal  
7           Revenue Code for the taxable year;

8           (E-21) the amount that is claimed as a federal  
9           deduction when computing the taxpayer's federal  
10          taxable income for the taxable year and that is  
11          attributable to an endowment gift for which the  
12          taxpayer receives a credit under the Illinois Gives  
13          Tax Credit Act;

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

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

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

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

26          (I) With the exception of any amounts subtracted

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

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

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

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

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

26 (M) For any taxpayer that is a financial

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

23 (M-1) For any taxpayer that is a financial  
24 organization within the meaning of Section 304(c) of  
25 this Act, an amount included in such total as interest  
26 income from a loan or loans made by such taxpayer to a

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

23 (N) Two times any contribution made during the  
24 taxable year to a designated zone organization to the  
25 extent that the contribution (i) qualifies as a  
26 charitable contribution under subsection (c) of

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

8 (O) An amount equal to: (i) 85% for taxable years  
9 ending on or before December 31, 1992, or, a  
10 percentage equal to the percentage allowable under  
11 Section 243(a)(1) of the Internal Revenue Code of 1986  
12 for taxable years ending after December 31, 1992, of  
13 the amount by which dividends included in taxable  
14 income and received from a corporation that is not  
15 created or organized under the laws of the United  
16 States or any state or political subdivision thereof,  
17 including, for taxable years ending on or after  
18 December 31, 1988, dividends received or deemed  
19 received or paid or deemed paid under Sections 951  
20 through 965 of the Internal Revenue Code, exceed the  
21 amount of the modification provided under subparagraph  
22 (G) of paragraph (2) of this subsection (b) which is  
23 related to such dividends, and including, for taxable  
24 years ending on or after December 31, 2008, dividends  
25 received from a captive real estate investment trust;  
26 plus (ii) 100% of the amount by which dividends,

1 included in taxable income and received, including,  
2 for taxable years ending on or after December 31,  
3 1988, dividends received or deemed received or paid or  
4 deemed paid under Sections 951 through 964 of the  
5 Internal Revenue Code and including, for taxable years  
6 ending on or after December 31, 2008, dividends  
7 received from a captive real estate investment trust,  
8 from any such corporation specified in clause (i) that  
9 would but for the provisions of Section 1504(b)(3) of  
10 the Internal Revenue Code be treated as a member of the  
11 affiliated group which includes the dividend  
12 recipient, exceed the amount of the modification  
13 provided under subparagraph (G) of paragraph (2) of  
14 this subsection (b) which is related to such  
15 dividends. For taxable years ending on or after June  
16 30, 2021, (i) for purposes of this subparagraph, the  
17 term "dividend" does not include any amount treated as  
18 a dividend under Section 1248 of the Internal Revenue  
19 Code, and (ii) this subparagraph shall not apply to  
20 dividends for which a deduction is allowed under  
21 Section 245(a) of the Internal Revenue Code. For  
22 taxable years ending on or after December 31, 2025,  
23 50% of the amount of global intangible low-taxed  
24 income received or deemed received or paid or deemed  
25 paid under Section 951A of the Internal Revenue Code.  
26 This subparagraph (O) is exempt from the provisions of

1 Section 250 of this Act;

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

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

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

23 (S) For taxable years ending on or after December  
24 31, 1997, in the case of a Subchapter S corporation, an  
25 amount equal to all amounts of income allocable to a  
26 shareholder subject to the Personal Property Tax

1 Replacement Income Tax imposed by subsections (c) and  
2 (d) of Section 201 of this Act, including amounts  
3 allocable to organizations exempt from federal income  
4 tax by reason of Section 501(a) of the Internal  
5 Revenue Code. This subparagraph (S) is exempt from the  
6 provisions of Section 250;

7 (T) For taxable years 2001 through 2025 ~~and~~  
8 ~~thereafter~~, for the taxable year in which the bonus  
9 depreciation deduction is taken on the taxpayer's  
10 federal income tax return under subsection (k) of  
11 Section 168 of the Internal Revenue Code and for each  
12 applicable taxable year thereafter, an amount equal to  
13 "x", where:

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

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

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

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

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

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

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

1 percentage bonus depreciation on the property  
2 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

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

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

26 This subparagraph (U) is exempt from the

1 provisions of Section 250;

2 (V) The amount of: (i) any interest income (net of  
3 the deductions allocable thereto) taken into account  
4 for the taxable year with respect to a transaction  
5 with a taxpayer that is required to make an addition  
6 modification with respect to such transaction under  
7 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
8 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
9 the amount of such addition modification, (ii) any  
10 income from intangible property (net of the deductions  
11 allocable thereto) taken into account for the taxable  
12 year with respect to a transaction with a taxpayer  
13 that is required to make an addition modification with  
14 respect to such transaction under Section  
15 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
16 203(d)(2)(D-8), but not to exceed the amount of such  
17 addition modification, and (iii) any insurance premium  
18 income (net of deductions allocable thereto) taken  
19 into account for the taxable year with respect to a  
20 transaction with a taxpayer that is required to make  
21 an addition modification with respect to such  
22 transaction under Section 203(a)(2)(D-19), Section  
23 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
24 203(d)(2)(D-9), but not to exceed the amount of that  
25 addition modification. This subparagraph (V) is exempt  
26 from the provisions of Section 250;

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

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

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

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

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

7 (Z) The difference between the nondeductible  
8 controlled foreign corporation dividends under Section  
9 965(e)(3) of the Internal Revenue Code over the  
10 taxable income of the taxpayer, computed without  
11 regard to Section 965(e)(2)(A) of the Internal Revenue  
12 Code, and without regard to any net operating loss  
13 deduction. This subparagraph (Z) is exempt from the  
14 provisions of Section 250; and

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

1 of Section 250.

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

10 (c) Trusts and estates.

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

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

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

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

1 case, only to the extent such amount was deducted in  
2 the computation of taxable income;

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

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

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

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

1           which was taken into account in calculating the  
2           base income of an earlier taxable year, and

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

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

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

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

25                  (G-5) For taxable years ending after December 31,  
26          1997, an amount equal to any eligible remediation

1 costs that the trust or estate deducted in computing  
2 adjusted gross income and for which the trust or  
3 estate claims a credit under subsection (l) of Section  
4 201;

5 (G-10) For taxable years 2001 through 2025 ~~and~~  
6 ~~thereafter~~, an amount equal to the bonus depreciation  
7 deduction taken on the taxpayer's federal income tax  
8 return for the taxable year under subsection (k) of  
9 Section 168 of the Internal Revenue Code; and

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

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

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

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

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

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

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

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

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

26 (b) the transaction giving rise to the

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

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

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

21 For taxable years ending on or after December 31,  
22 2025, this paragraph shall not apply to the following:

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

1 following:

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

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

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

1 404 of this Act;

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

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

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

- 23 (i) any item of intangible expenses or costs  
24 paid, accrued, or incurred, directly or  
25 indirectly, from a transaction with a person who  
26 is subject in a foreign country or state, other

1 than a state which requires mandatory unitary  
2 reporting, to a tax on or measured by net income  
3 with respect to such item; or

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

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

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

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

1 alternative method of apportionment under Section  
2 304(f);

3 For taxable years ending on or after December 31,  
4 2025, this paragraph shall not apply to the following:

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

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

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

20 or

21 (ii) any item of intangible expense or cost  
22 paid, accrued, or incurred, directly or  
23 indirectly, from a transaction with a person if  
24 the taxpayer establishes by clear and convincing  
25 evidence, that the adjustments are unreasonable;  
26 or if the taxpayer and the Director agree in

1 writing to the application or use of an  
2 alternative method of apportionment under Section  
3 304(f).

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

13 (G-14) For taxable years ending on or after  
14 December 31, 2008, an amount equal to the amount of  
15 insurance premium expenses and costs otherwise allowed  
16 as a deduction in computing base income, and that were  
17 paid, accrued, or incurred, directly or indirectly, 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. The  
24 addition modification required by this subparagraph  
25 shall be reduced to the extent that dividends were  
26 included in base income of the unitary group for the

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

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

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

22 (G-17) the amount that is claimed as a federal  
23 deduction when computing the taxpayer's federal  
24 taxable income for the taxable year and that is  
25 attributable to an endowment gift for which the  
26 taxpayer receives a credit under the Illinois Gives

1 Tax Credit Act;

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

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

15 (I) The valuation limitation amount;

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

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

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

4 (L) With the exception of any amounts subtracted  
5 under subparagraph (K), 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 (M) 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 in a River Edge Redevelopment

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

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

6 (O) 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 (M) of paragraph (2) of this subsection  
13 shall not be eligible for the deduction provided under  
14 this subparagraph (O);

15 (P) 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 (Q) For taxable year 1999 and thereafter, an  
21 amount equal to the amount of any (i) distributions,  
22 to the extent includible in gross income for federal  
23 income tax purposes, made to the taxpayer because of  
24 his or her status as a victim of persecution for racial  
25 or religious reasons by Nazi Germany or any other Axis  
26 regime or as an heir of the victim and (ii) items of

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

1           (R) For taxable years 2001 through 2025 ~~and~~  
2 ~~thereafter~~, for the taxable year in which the bonus  
3 depreciation deduction is taken on the taxpayer's  
4 federal income tax return under subsection (k) of  
5 Section 168 of the Internal Revenue Code and for each  
6 applicable taxable year thereafter, an amount equal to  
7 "x", where:

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

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

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

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

26           (ii) for property on which a bonus

1 depreciation deduction of 50% of the adjusted  
2 basis was taken, "x" equals "y" multiplied by  
3 1.0;

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

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

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

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

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

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

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

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

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

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

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

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

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

1 exempt from the provisions of Section 250;

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

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

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

1 taxpayer pursuant to this subparagraph (Y). This  
2 subparagraph (Y) is exempt from the provisions of  
3 Section 250;

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

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

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

1 set aside for charitable purposes pursuant to Internal  
2 Revenue Code Section 642(c) during the taxable year.

3 (d) Partnerships.

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

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

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

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

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

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

25 (D-5) For taxable years 2001 through 2025 ~~and~~

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

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

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 (O) and for which the taxpayer was  
16 allowed in any taxable year to make a subtraction  
17 modification under subparagraph (O), then an amount  
18 equal to that subtraction modification.

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

22 (D-7) An amount equal to the amount otherwise  
23 allowed as a deduction in computing base income for  
24 interest paid, accrued, or incurred, directly or  
25 indirectly, (i) for taxable years ending on or after  
26 December 31, 2004, to a foreign person who would be a

1 member of the same unitary business group but for the  
2 fact the foreign person's business activity outside  
3 the United States is 80% or more of the foreign  
4 person's total business activity and (ii) for taxable  
5 years ending on or after December 31, 2008, to a person  
6 who would be a member of the same unitary business  
7 group but for the fact that the person is prohibited  
8 under Section 1501(a)(27) from being included in the  
9 unitary business group because he or she is ordinarily  
10 required to apportion business income under different  
11 subsections of Section 304. The addition modification  
12 required by this subparagraph shall be reduced to the  
13 extent that dividends were included in base income of  
14 the unitary group for the same taxable year and  
15 received by the taxpayer or by a member of the  
16 taxpayer's unitary business group (including amounts  
17 included in gross income pursuant to Sections 951  
18 through 964 of the Internal Revenue Code and amounts  
19 included in gross income under Section 78 of the  
20 Internal Revenue Code) with respect to the stock of  
21 the same person to whom the interest was paid,  
22 accrued, or incurred. For taxable years ending on and  
23 after December 31, 2025, for purposes of applying this  
24 paragraph in the case of a taxpayer to which Section  
25 163(j) of the Internal Revenue Code applies for the  
26 taxable year, the reduction in the amount of interest

1 for which a deduction is allowed by reason of Section  
2 163(j) shall be treated as allocable first to persons  
3 who are not foreign persons referred to in this  
4 paragraph and then to such foreign persons.

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

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

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

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

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

1 terms; or

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

9 (iv) 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 For taxable years ending on or after December 31,  
17 2025, this paragraph shall not apply to the following:

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

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

26 (b) the transaction giving rise to the

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

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

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

23 (D-8) An amount equal to the amount of intangible  
24 expenses and costs otherwise allowed as a deduction in  
25 computing base income, and that were paid, accrued, or  
26 incurred, directly or indirectly, (i) for taxable

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

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

16 For taxable years ending on or after December 31,  
17 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

26 (i) any item of intangible expense or cost

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

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

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

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

25                  Nothing in this subsection shall preclude the  
26                  Director from making any other adjustment otherwise

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

8 (D-9) For taxable years ending on or after  
9 December 31, 2008, an amount equal to the amount of  
10 insurance premium expenses and costs otherwise allowed  
11 as a deduction in computing base income, and that were  
12 paid, accrued, or incurred, directly or indirectly, 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. The  
19 addition modification required by this subparagraph  
20 shall be reduced to the extent that dividends were  
21 included in base income of the unitary group for the  
22 same taxable year and received by the taxpayer or by a  
23 member of the taxpayer's unitary business group  
24 (including amounts included in gross income under  
25 Sections 951 through 964 of the Internal Revenue Code  
26 and amounts included in gross income under Section 78

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

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

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

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

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

24 (E) The valuation limitation amount;

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

1 and included in such total for the taxable year;

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

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

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

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

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

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

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

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

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

18           (O) For taxable years 2001 through 2025 ~~and~~  
19 ~~thereafter~~, for the taxable year in which the bonus  
20 depreciation deduction is taken on the taxpayer's  
21 federal income tax return under subsection (k) of  
22 Section 168 of the Internal Revenue Code and for each  
23 applicable taxable year thereafter, an amount equal to  
24 "x", where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 203(d) (2) (D-8), but not to exceed the amount of such  
2 addition modification. This subparagraph (Q) is exempt  
3 from Section 250;

4 (R) 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(d) (2) (D-7) for interest paid, accrued, or  
22 incurred, directly or indirectly, to the same person.  
23 This subparagraph (R) is exempt from Section 250;

24 (S) 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(d)(2)(D-8) for intangible expenses and costs paid,  
16 accrued, or incurred, directly or indirectly, to the  
17 same person. This subparagraph (S) is exempt from  
18 Section 250;

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

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

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

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

23 (1) In general. Subject to the provisions of paragraph  
24 (2) and subsection (b) (3), for purposes of this Section  
25 and Section 803(e), a taxpayer's gross income, adjusted

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

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

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

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

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

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

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

26 (E) Consolidated corporations. In the case of a

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

13 (F) Cooperatives. In the case of a cooperative  
14 corporation or association, the taxable income of such  
15 organization determined in accordance with the  
16 provisions of Section 1381 through 1388 of the  
17 Internal Revenue Code, but without regard to the  
18 prohibition against offsetting losses from patronage  
19 activities against income from nonpatronage  
20 activities; except that a cooperative corporation or  
21 association may make an election to follow its federal  
22 income tax treatment of patronage losses and  
23 nonpatronage losses. In the event such election is  
24 made, such losses shall be computed and carried over  
25 in a manner consistent with subsection (a) of Section  
26 207 of this Act and apportioned by the apportionment

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

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

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

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

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

1 Illinois using the greater of the apportionment fraction  
2 computed for the business under Section 304 of this Act  
3 for the taxable year or the average of the apportionment  
4 fractions computed for the business under Section 304 of  
5 this Act for the taxable year and for the 2 immediately  
6 preceding taxable years.

7 (f) Valuation limitation amount.

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

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

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

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

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

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

23           (C) The Department shall prescribe such  
24 regulations as may be necessary to carry out the  
25 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.)