



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB5318

Introduced 2/10/2026, by Rep. Maurice A. West, II

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203	from Ch. 120, par. 2-203
35 ILCS 5/304	from Ch. 120, par. 3-304
35 ILCS 5/1009 new	
35 ILCS 5/1501	from Ch. 120, par. 15-1501

Amends the Illinois Income Tax Act. Provides that provisions of the Act that provide that a taxpayer's unitary business group does not include members whose business activity outside the United States is 80% or more of the member's total business activity apply only for taxable years ending before January 1, 2027. Makes corresponding changes to deductions and addition modifications concerning those members of the unitary business group. Provides that, with respect to the term "foreign person", "United States" means the 50 states of the United States, the District of Columbia, the territories and possessions of the United States, and any area over which the United States has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources. Adds provisions concerning joint and several liability of members of a combined reporting group. Effective immediately.

LRB104 19539 HLH 32987 b

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 203, 304, and 1501 and by adding Section
6 1009 as follows:

7 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

8 Sec. 203. Base income defined.

9 (a) Individuals.

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

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

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

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

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

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

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

1 Medical Care Savings Account Act or subsection (b) of
2 Section 20 of the Medical Care Savings Account Act of
3 2000;

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

9 (D-15) For taxable years 2001 through 2025, an
10 amount equal to the bonus depreciation deduction taken
11 on the taxpayer's federal income tax return for the
12 taxable year under subsection (k) of Section 168 of
13 the Internal Revenue Code; for taxable years 2026 and
14 thereafter, an amount equal to the bonus depreciation
15 deduction taken on the taxpayer's federal income tax
16 return for the taxable year under subsection (k) or
17 (n) of Section 168 of the Internal Revenue Code;

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

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which a

1 subtraction is allowed with respect to that property
2 under subparagraph (Z) and for which the taxpayer was
3 allowed in any taxable year to make a subtraction
4 modification under subparagraph (Z), then an amount
5 equal to that subtraction modification.

6 The taxpayer is required to make the addition
7 modification under this subparagraph only once with
8 respect to any one piece of property;

9 (D-17) An amount equal to the amount otherwise
10 allowed as a deduction in computing base income for
11 interest paid, accrued, or incurred, directly or
12 indirectly, (i) for taxable years ending on or after
13 December 31, 2004 and ending before January 1, 2027,
14 to a foreign person who would be a member of the same
15 unitary business group but for the fact that foreign
16 person's business activity outside the United States
17 is 80% or more of the foreign person's total business
18 activity and (ii) for taxable years ending on or after
19 December 31, 2008, to a person who would be a member of
20 the same unitary business group but for the fact that
21 the person is prohibited under Section 1501(a)(27)
22 from being included in the unitary business group
23 because he or she is ordinarily required to apportion
24 business income under different subsections of Section
25 304. The addition modification required by this
26 subparagraph shall be reduced to the extent that

1 dividends were included in base income of the unitary
2 group for the same taxable year and received by the
3 taxpayer or by a member of the taxpayer's unitary
4 business group (including amounts included in gross
5 income under Sections 951 through 964 of the Internal
6 Revenue Code and amounts included in gross income
7 under Section 78 of the Internal Revenue Code) with
8 respect to the stock of the same person to whom the
9 interest was paid, accrued, or incurred. For taxable
10 years ending on and after December 31, 2025, for
11 purposes of applying this paragraph in the case of a
12 taxpayer to which Section 163(j) of the Internal
13 Revenue Code applies for the taxable year, the
14 reduction in the amount of interest for which a
15 deduction is allowed by reason of Section 163(j) shall
16 be treated as allocable first to persons who are not
17 foreign persons referred to in this paragraph and then
18 to such foreign persons.

19 For taxable years ending before December 31, 2025,
20 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 who
23 is subject in a foreign country or state, other
24 than a state which requires mandatory unitary
25 reporting, to a tax on or measured by net income
26 with respect to such interest; or

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

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

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

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

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

1 if the taxpayer and the Director agree in writing
2 to the application or use of an alternative method
3 of apportionment under Section 304(f).

4 For taxable years ending on or after December 31,
5 2025, 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 if
8 the taxpayer can establish, based on a
9 preponderance of the evidence, both of the
10 following:

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

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

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

1 of apportionment under Section 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-18) An amount equal to the amount of intangible
12 expenses and costs otherwise allowed as a deduction in
13 computing base income, and that were paid, accrued, or
14 incurred, directly or indirectly, (i) for taxable
15 years ending on or after December 31, 2004 and ending
16 before January 1, 2027, to a foreign person who would
17 be a member of the same unitary business group but for
18 the fact that 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. The addition modification
2 required by this subparagraph shall be reduced to the
3 extent that dividends were included in base income of
4 the unitary group for the same taxable year and
5 received by the taxpayer or by a member of the
6 taxpayer's unitary business group (including amounts
7 included in gross income under Sections 951 through
8 964 of the Internal Revenue Code and amounts included
9 in gross income under Section 78 of the Internal
10 Revenue Code) with respect to the stock of the same
11 person to whom the intangible expenses and costs were
12 directly or indirectly paid, incurred, or accrued. The
13 preceding sentence does not apply to the extent that
14 the same dividends caused a reduction to the addition
15 modification required under Section 203(a)(2)(D-17) of
16 this Act. As used in this subparagraph, the term
17 "intangible expenses and costs" includes (1) expenses,
18 losses, and costs for, or related to, the direct or
19 indirect acquisition, use, maintenance or management,
20 ownership, sale, exchange, or any other disposition of
21 intangible property; (2) losses incurred, directly or
22 indirectly, from factoring transactions or discounting
23 transactions; (3) royalty, patent, technical, and
24 copyright fees; (4) licensing fees; and (5) other
25 similar expenses and costs. For purposes of this
26 subparagraph, "intangible property" includes patents,

1 patent applications, trade names, trademarks, service
2 marks, copyrights, mask works, trade secrets, and
3 similar types of intangible assets.

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

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

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

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

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

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

2 or

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

12 For taxable years ending on or after December 31,
13 2025, this paragraph shall not apply to the following:

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

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

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

1 income tax, and is paid pursuant to a contract
2 or agreement that reflects arm's-length terms;
3 or

4 (ii) any item of intangible expense or cost
5 paid, accrued, or incurred, directly or
6 indirectly, from a transaction with a person if
7 the taxpayer establishes by clear and convincing
8 evidence, that the adjustments are unreasonable;
9 or if the taxpayer and the Director agree in
10 writing to the application or use of an
11 alternative method of apportionment under Section
12 304(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 (D-19) For taxable years ending on or after
23 December 31, 2008, an amount equal to the amount of
24 insurance premium expenses and costs otherwise allowed
25 as a deduction in computing base income, and that were
26 paid, accrued, or incurred, directly or indirectly, to

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

23 (D-20) For taxable years beginning on or after
24 January 1, 2002 and ending on or before December 31,
25 2006, in the case of a distribution from a qualified
26 tuition program under Section 529 of the Internal

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

26 For the purposes of this subparagraph (D-20), a

1 qualified tuition program has made reasonable efforts
2 if it makes disclosures (which may use the term
3 "in-state program" or "in-state plan" and need not
4 specifically refer to Illinois or its qualified
5 programs by name) (i) directly to prospective
6 participants in its offering materials or makes a
7 public disclosure, such as a website posting; and (ii)
8 where applicable, to intermediaries selling the
9 out-of-state program in the same manner that the
10 out-of-state program distributes its offering
11 materials;

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

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

1 (D-21.5) For taxable years beginning on or after
2 January 1, 2018, in the case of the transfer of moneys
3 from a qualified tuition program under Section 529 or
4 a qualified ABLE program under Section 529A of the
5 Internal Revenue Code that is administered by this
6 State to an ABLE account established under an
7 out-of-state ABLE account program, an amount equal to
8 the contribution component of the transferred amount
9 that was previously deducted from base income under
10 subsection (a)(2)(Y) or subsection (a)(2)(HH) of this
11 Section;

12 (D-22) For taxable years beginning on or after
13 January 1, 2009, and prior to January 1, 2018, in the
14 case of a nonqualified withdrawal or refund of moneys
15 from a qualified tuition program under Section 529 of
16 the Internal Revenue Code administered by the State
17 that is not used for qualified expenses at an eligible
18 education institution, 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,
22 provided that the withdrawal or refund did not result
23 from the beneficiary's death or disability. For
24 taxable years beginning on or after January 1, 2018:
25 (1) in the case of a nonqualified withdrawal or
26 refund, as defined under Section 16.5 of the State

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

15 (D-23) An amount equal to the credit allowable to
16 the taxpayer under Section 218(a) of this Act,
17 determined without regard to Section 218(c) of this
18 Act;

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

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

26 and by deducting from the total so obtained the sum of the

1 following amounts:

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

1 respect of any compensation paid to a resident in 2001
2 or thereafter by reason of being a member of the
3 Illinois National Guard or, beginning with taxable
4 years ending on or after December 31, 2007, the
5 National Guard of any other state. The provisions of
6 this subparagraph (E) are exempt from the provisions
7 of Section 250;

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

19 (G) The valuation limitation amount;

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

23 (I) An amount equal to all amounts included in
24 such total pursuant to the provisions of Section 111
25 of the Internal Revenue Code as a recovery of items
26 previously deducted from adjusted gross income in the

1 computation of taxable income;

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

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

19 (L) For taxable years ending after December 31,
20 1983, an amount equal to all social security benefits
21 and railroad retirement benefits included in such
22 total pursuant to Sections 72(r) and 86 of the
23 Internal Revenue Code;

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

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

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

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

1 (P) An amount equal to the amount of the deduction
2 used to compute the federal income tax credit for
3 restoration of substantial amounts held under claim of
4 right for the taxable year pursuant to Section 1341 of
5 the Internal Revenue Code or of any itemized deduction
6 taken from adjusted gross income in the computation of
7 taxable income for restoration of substantial amounts
8 held under claim of right for the taxable year;

9 (Q) An amount equal to any amounts included in
10 such total, received by the taxpayer as an
11 acceleration in the payment of life, endowment or
12 annuity benefits in advance of the time they would
13 otherwise be payable as an indemnity for a terminal
14 illness;

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

17 (S) An amount, to the extent included in adjusted
18 gross income, equal to the amount of a contribution
19 made in the taxable year on behalf of the taxpayer to a
20 medical care savings account established under the
21 Medical Care Savings Account Act or the Medical Care
22 Savings Account Act of 2000 to the extent the
23 contribution is accepted by the account administrator
24 as provided in that Act;

25 (T) An amount, to the extent included in adjusted
26 gross income, equal to the amount of interest earned

1 in the taxable year on a medical care savings account
2 established under the Medical Care Savings Account Act
3 or the Medical Care Savings Account Act of 2000 on
4 behalf of the taxpayer, other than interest added
5 pursuant to item (D-5) of this paragraph (2);

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

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

1 deduction shall be allowed under this item (V) if the
2 taxpayer is eligible to participate in any health
3 insurance or long-term care insurance plan of an
4 employer of the taxpayer or the taxpayer's spouse. The
5 amount of the health insurance and long-term care
6 insurance subtracted under this item (V) shall be
7 determined by multiplying total health insurance and
8 long-term care insurance premiums paid by the taxpayer
9 times a number that represents the fractional
10 percentage of eligible medical expenses under Section
11 213 of the Internal Revenue Code of 1986 not actually
12 deducted on the taxpayer's federal income tax return;

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

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

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

26 (Y) For taxable years beginning on or after

1 January 1, 2002 and ending on or before December 31,
2 2004, moneys contributed in the taxable year to a
3 College Savings Pool account under Section 16.5 of the
4 State Treasurer Act, except that amounts excluded from
5 gross income under Section 529(c)(3)(C)(i) of the
6 Internal Revenue Code shall not be considered moneys
7 contributed under this subparagraph (Y). For taxable
8 years beginning on or after January 1, 2005, a maximum
9 of \$10,000 contributed in the taxable year to (i) a
10 College Savings Pool account under Section 16.5 of the
11 State Treasurer Act or (ii) the Illinois Prepaid
12 Tuition Trust Fund, except that amounts excluded from
13 gross income under Section 529(c)(3)(C)(i) of the
14 Internal Revenue Code shall not be considered moneys
15 contributed under this subparagraph (Y). For purposes
16 of this subparagraph, contributions made by an
17 employer on behalf of an employee, or matching
18 contributions made by an employee, shall be treated as
19 made by the employee. This subparagraph (Y) is exempt
20 from the provisions of Section 250;

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

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

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

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

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

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

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

1 depreciation deduction that would be allowed
2 on that property if the taxpayer had made the
3 election under Section 168(k)(7) or Section
4 168(n)(6) of the Internal Revenue Code to not
5 claim bonus depreciation on that property; and

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

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

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

1 addition modification under subparagraph (D-15), then
2 an amount equal to that addition modification.

3 If the taxpayer continues to own property through
4 the last day of the last tax year for which a
5 subtraction is allowed with respect to that property
6 under subparagraph (Z) and for which the taxpayer was
7 required in any taxable year to make an addition
8 modification under subparagraph (D-15), then an amount
9 equal to that addition modification.

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

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

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

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

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

9 (DD) An amount equal to the interest income taken
10 into account for the taxable year (net of the
11 deductions allocable thereto) with respect to
12 transactions with (i) for taxable years ending before
13 January 1, 2027, a foreign person who would be a member
14 of the taxpayer's unitary business group but for the
15 fact that the foreign person's business activity
16 outside the United States is 80% or more of that
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304, but not to exceed the
25 addition modification required to be made for the same
26 taxable year under Section 203(a)(2)(D-17) for

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

4 (EE) An amount equal to the income from intangible
5 property taken into account for the taxable year (net
6 of the deductions allocable thereto) with respect to
7 transactions with (i) for taxable years ending before
8 January 1, 2027, a foreign person who would be a member
9 of the taxpayer's unitary business group but for the
10 fact that the foreign person's business activity
11 outside the United States is 80% or more of that
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304, but not to exceed the
20 addition modification required to be made for the same
21 taxable year under Section 203(a)(2)(D-18) for
22 intangible expenses and costs paid, accrued, or
23 incurred, directly or indirectly, to the same foreign
24 person. This subparagraph (EE) is exempt from the
25 provisions of Section 250;

26 (FF) An amount equal to any amount awarded to the

1 taxpayer during the taxable year by the Court of
2 Claims under subsection (c) of Section 8 of the Court
3 of Claims Act for time unjustly served in a State
4 prison. This subparagraph (FF) is exempt from the
5 provisions of Section 250;

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

22 (HH) For taxable years beginning on or after
23 January 1, 2018 and prior to January 1, 2028, a maximum
24 of \$10,000 contributed in the taxable year to a
25 qualified ABLE account under Section 16.6 of the State
26 Treasurer Act, except that amounts excluded from gross

1 income under Section 529(c)(3)(C)(i) or Section
2 529A(c)(1)(C) of the Internal Revenue Code shall not
3 be considered moneys contributed under this
4 subparagraph (HH). For purposes of this subparagraph
5 (HH), contributions made by an employer on behalf of
6 an employee, or matching contributions made by an
7 employee, shall be treated as made by the employee;

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

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

1 added back under this subsection. The provisions of
2 this subparagraph (JJ) are exempt from the provisions
3 of Section 250;

4 (KK) To the extent includible in gross income for
5 federal income tax purposes, any amount awarded or
6 paid to the taxpayer as a result of a judgment or
7 settlement for fertility fraud as provided in Section
8 15 of the Illinois Fertility Fraud Act, donor
9 fertility fraud as provided in Section 20 of the
10 Illinois Fertility Fraud Act, or similar action in
11 another state;

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

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

24 (MM) For taxable years beginning on or after
25 January 1, 2025, if the taxpayer is an eligible
26 resident as defined in the Medical Debt Relief Act, an

1 amount equal to the amount included in the taxpayer's
2 federal adjusted gross income that is attributable to
3 medical debt relief received by the taxpayer during
4 the taxable year from a nonprofit medical debt relief
5 coordinator under the provisions of the Medical Debt
6 Relief Act. This subparagraph (MM) is exempt from the
7 provisions of Section 250.

8 (b) Corporations.

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

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

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

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 taxable income for the taxable
23 year;

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

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

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

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

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

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

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

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

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

22 (E-10) For taxable years 2001 through 2025, an
23 amount equal to the bonus depreciation deduction taken
24 on the taxpayer's federal income tax return for the
25 taxable year under subsection (k) of Section 168 of
26 the Internal Revenue Code; for taxable years 2026 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) or
4 (n) of Section 168 of the Internal Revenue Code;

5 (E-11) 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 (E-10), then
9 an amount equal to the aggregate amount of the
10 deductions taken in all taxable years under
11 subparagraph (T) 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 (T) and for which the taxpayer was
16 allowed in any taxable year to make a subtraction
17 modification under subparagraph (T), 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 (E-12) 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 and ending before January 1, 2027,

1 to a foreign person who would be a member of the same
2 unitary business group but for the fact the foreign
3 person's business activity outside the United States
4 is 80% or more of the foreign 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 interest was paid, accrued, or incurred. For
23 taxable years ending on and after December 31, 2025,
24 for purposes of applying this paragraph in the case of
25 a taxpayer to which Section 163(j) of the Internal
26 Revenue Code applies for the taxable year, the

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

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

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

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

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

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

1 reflects an arm's-length interest rate and
2 terms; or

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

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

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

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

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

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

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

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

1 incurred, directly or indirectly, (i) for taxable
2 years ending on or after December 31, 2004 and ending
3 before January 1, 2027, to a foreign person who would
4 be a member of the same unitary business group but for
5 the fact that the foreign person's business activity
6 outside the United States is 80% or more of that
7 person's total business activity and (ii) for taxable
8 years ending on or after December 31, 2008, to a person
9 who would be a member of the same unitary business
10 group but for the fact that the person is prohibited
11 under Section 1501(a)(27) from being included in the
12 unitary business group because he or she is ordinarily
13 required to apportion business income under different
14 subsections of Section 304. The addition modification
15 required by this subparagraph shall be reduced to the
16 extent that dividends were included in base income of
17 the unitary group for the same taxable year and
18 received by the taxpayer or by a member of the
19 taxpayer's unitary business group (including amounts
20 included in gross income pursuant to Sections 951
21 through 964 of the Internal Revenue Code and amounts
22 included in gross income under Section 78 of the
23 Internal Revenue Code) with respect to the stock of
24 the same person to whom the intangible expenses and
25 costs were directly or indirectly paid, incurred, or
26 accrued. The preceding sentence shall not apply to the

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

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

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

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

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

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

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

26 For taxable years ending on or after December 31,

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

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

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

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

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

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

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

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

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

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

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

25 (E-18) for taxable years beginning after December
26 31, 2018, an amount equal to the deduction allowed

1 under Section 250(a)(1)(A) of the Internal Revenue
2 Code for the taxable year;

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

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

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

17 and by deducting from the total so obtained the sum of the
18 following amounts:

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

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

24 (H) In the case of a regulated investment company,
25 an amount equal to the amount of exempt interest
26 dividends as defined in subsection (b)(5) of Section

1 852 of the Internal Revenue Code, paid to shareholders
2 for the taxable year;

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

1 year); the provisions of this subparagraph are exempt
2 from the provisions of Section 250;

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

20 (L) An amount equal to those dividends included in
21 such total that were paid by a corporation that
22 conducts business operations in a federally designated
23 Foreign Trade Zone or Sub-Zone and that is designated
24 a High Impact Business located in Illinois; provided
25 that dividends eligible for the deduction provided in
26 subparagraph (K) of paragraph 2 of this subsection

1 shall not be eligible for the deduction provided under
2 this subparagraph (L);

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

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

1 organization within the meaning of Section 304(c) of
2 this Act, an amount included in such total as interest
3 income from a loan or loans made by such taxpayer to a
4 borrower, to the extent that such a loan is secured by
5 property which is eligible for the High Impact
6 Business Investment Credit. To determine the portion
7 of a loan or loans that is secured by property eligible
8 for a Section 201(h) 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(h)
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 a federally designated Foreign Trade Zone or
16 Sub-Zone located in Illinois. No taxpayer that is
17 eligible for the deduction provided in subparagraph
18 (M) of paragraph (2) of this subsection shall be
19 eligible for the deduction provided under this
20 subparagraph (M-1). The subtraction modification
21 available to taxpayers in any year under this
22 subsection shall be that portion of the total interest
23 paid by the borrower with respect to such loan
24 attributable to the eligible property as calculated
25 under the previous sentence;

26 (N) Two times any contribution made during the

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

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

1 years ending on or after December 31, 2008, dividends
2 received from a captive real estate investment trust;
3 plus (ii) 100% of the amount by which dividends,
4 included in taxable income and received, including,
5 for taxable years ending on or after December 31,
6 1988, dividends received or deemed received or paid or
7 deemed paid under Sections 951 through 964 of the
8 Internal Revenue Code and including, for taxable years
9 ending on or after December 31, 2008, dividends
10 received from a captive real estate investment trust,
11 from any such corporation specified in clause (i) that
12 would but for the provisions of Section 1504(b)(3) of
13 the Internal Revenue Code be treated as a member of the
14 affiliated group which includes the dividend
15 recipient, exceed the amount of the modification
16 provided under subparagraph (G) of paragraph (2) of
17 this subsection (b) which is related to such
18 dividends. For taxable years ending on or after June
19 30, 2021, (i) for purposes of this subparagraph, the
20 term "dividend" does not include any amount treated as
21 a dividend under Section 1248 of the Internal Revenue
22 Code, and (ii) this subparagraph shall not apply to
23 dividends for which a deduction is allowed under
24 Section 245(a) of the Internal Revenue Code. For
25 taxable years ending on or after December 31, 2025,
26 50% of the amount of global intangible low-taxed

1 income or net controlled foreign corporation (CFC)
2 tested income received or deemed received or paid or
3 deemed paid under Sections 951 through 965 of the
4 Internal Revenue Code. This subparagraph (O) is exempt
5 from the provisions of Section 250 of this Act;

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

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

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

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

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

17 (1) "y" equals the amount of the depreciation
18 deduction taken for the taxable year on the
19 taxpayer's federal income tax return on property
20 for which the bonus depreciation deduction was
21 taken in any year under subsection (k) or (n) of
22 Section 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) or Section
20 168(n)(6) of the Internal Revenue Code to not
21 claim bonus 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) or (n) of Section 168 of the Internal Revenue Code.
12 This subparagraph (T) is exempt from the provisions of
13 Section 250;

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

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

26 The taxpayer is allowed to take the deduction

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

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

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

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

4 (W) An amount equal to the interest income taken
5 into account for the taxable year (net of the
6 deductions allocable thereto) with respect to
7 transactions with (i) for taxable years ending before
8 January 1, 2026, a foreign person who would be a member
9 of the taxpayer's unitary business group but for the
10 fact that the foreign person's business activity
11 outside the United States is 80% or more of that
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304, but not to exceed the
20 addition modification required to be made for the same
21 taxable year under Section 203(b)(2)(E-12) for
22 interest paid, accrued, or incurred, directly or
23 indirectly, to the same person. This subparagraph (W)
24 is exempt from the provisions of Section 250;

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

1 of the deductions allocable thereto) with respect to
2 transactions with (i) for taxable years ending before
3 January 1, 2027, a foreign person who would be a member
4 of the taxpayer's unitary business group but for the
5 fact that the foreign person's business activity
6 outside the United States is 80% or more of that
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, but not to exceed the
15 addition modification required to be made for the same
16 taxable year under Section 203(b)(2)(E-13) for
17 intangible expenses and costs paid, accrued, or
18 incurred, directly or indirectly, to the same foreign
19 person. This subparagraph (X) is exempt from the
20 provisions of Section 250;

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

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

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

1 were disallowed under Section 280E of the Internal
2 Revenue Code for the taxable year and that would not be
3 added back under this subsection. The provisions of
4 this subparagraph (AA) are exempt from the provisions
5 of Section 250.

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

14 (c) Trusts and estates.

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

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

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

1 (B) In the case of (i) an estate, \$600; (ii) a
2 trust which, under its governing instrument, is
3 required to distribute all of its income currently,
4 \$300; and (iii) any other trust, \$100, but in each such
5 case, only to the extent such amount was deducted in
6 the computation of taxable income;

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

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

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

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

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

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

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

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

25 (G) An amount equal to the amount of the capital
26 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the
2 computation of taxable income;

3 (G-5) For taxable years ending after December 31,
4 1997, an amount equal to any eligible remediation
5 costs that the trust or estate deducted in computing
6 adjusted gross income and for which the trust or
7 estate claims a credit under subsection (l) of Section
8 201;

9 (G-10) For taxable years 2001 through 2025, an
10 amount equal to the bonus depreciation deduction taken
11 on the taxpayer's federal income tax return for the
12 taxable year under subsection (k) of Section 168 of
13 the Internal Revenue Code; for taxable years 2026 and
14 thereafter, an amount equal to the bonus depreciation
15 deduction taken on the taxpayer's federal income tax
16 return for the taxable year under subsection (k) or
17 (n) of Section 168 of the Internal Revenue Code; and

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

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which a

1 subtraction is allowed with respect to that property
2 under subparagraph (R) and for which the taxpayer was
3 allowed in any taxable year to make a subtraction
4 modification under subparagraph (R), then an amount
5 equal to that subtraction modification.

6 The taxpayer is required to make the addition
7 modification under this subparagraph only once with
8 respect to any one piece of property;

9 (G-12) An amount equal to the amount otherwise
10 allowed as a deduction in computing base income for
11 interest paid, accrued, or incurred, directly or
12 indirectly, (i) for taxable years ending on or after
13 December 31, 2004 and ending before January 1, 2027,
14 to a foreign person who would be a member of the same
15 unitary business group but for the fact that the
16 foreign person's business activity outside the United
17 States is 80% or more of the foreign person's total
18 business activity and (ii) for taxable years ending on
19 or after December 31, 2008, to a person who would be a
20 member of the same unitary business group but for the
21 fact that the person is prohibited under Section
22 1501(a)(27) from being included in the unitary
23 business group because he or she is ordinarily
24 required to apportion business income under different
25 subsections of Section 304. The addition modification
26 required by this subparagraph shall be reduced to the

1 extent that dividends were included in base income of
2 the unitary group for the same taxable year and
3 received by the taxpayer or by a member of the
4 taxpayer's unitary business group (including amounts
5 included in gross income pursuant to Sections 951
6 through 964 of the Internal Revenue Code and amounts
7 included in gross income under Section 78 of the
8 Internal Revenue Code) with respect to the stock of
9 the same person to whom the interest was paid,
10 accrued, or incurred. For taxable years ending on and
11 after December 31, 2025, for purposes of applying this
12 paragraph in the case of a taxpayer to which Section
13 163(j) of the Internal Revenue Code applies for the
14 taxable year, the reduction in the amount of interest
15 for which a deduction is allowed by reason of Section
16 163(j) shall be treated as allocable first to persons
17 who are not foreign persons referred to in this
18 paragraph and then to such foreign persons.

19 For taxable years ending before December 31, 2025,
20 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 who
23 is subject in a foreign country or state, other
24 than a state which requires mandatory unitary
25 reporting, to a tax on or measured by net income
26 with respect to such interest; or

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

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

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

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

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

1 if the taxpayer and the Director agree in writing
2 to the application or use of an alternative method
3 of apportionment under Section 304(f).

4 For taxable years ending on or after December 31,
5 2025, 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 if
8 the taxpayer can establish, based on a
9 preponderance of the evidence, both of the
10 following:

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

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

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

1 of apportionment under Section 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 (G-13) An amount equal to the amount of intangible
12 expenses and costs otherwise allowed as a deduction in
13 computing base income, and that were paid, accrued, or
14 incurred, directly or indirectly, (i) for taxable
15 years ending on or after December 31, 2004 and ending
16 before January 1, 2027, to a foreign person who would
17 be a member of the same unitary business group but for
18 the fact that 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. The addition modification
2 required by this subparagraph shall be reduced to the
3 extent that dividends were included in base income of
4 the unitary group for the same taxable year and
5 received by the taxpayer or by a member of the
6 taxpayer's unitary business group (including amounts
7 included in gross income pursuant to Sections 951
8 through 964 of the Internal Revenue Code and amounts
9 included in gross income under Section 78 of the
10 Internal Revenue Code) with respect to the stock of
11 the same person to whom the intangible expenses and
12 costs were directly or indirectly paid, incurred, or
13 accrued. The preceding sentence shall not apply to the
14 extent that the same dividends caused a reduction to
15 the addition modification required under Section
16 203(c)(2)(G-12) of this Act. As used in this
17 subparagraph, the term "intangible expenses and costs"
18 includes: (1) expenses, losses, and costs for or
19 related to the direct or indirect acquisition, use,
20 maintenance or management, ownership, sale, exchange,
21 or any other disposition of intangible property; (2)
22 losses incurred, directly or indirectly, from
23 factoring transactions or discounting transactions;
24 (3) royalty, patent, technical, and copyright fees;
25 (4) licensing fees; and (5) other similar expenses and
26 costs. For purposes of this subparagraph, "intangible

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

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

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

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

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

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

1 income tax, and is paid pursuant to a contract
2 or agreement that reflects arm's-length terms;
3 or

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

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

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

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

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

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

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

14 Nothing in this subsection shall preclude the
15 Director from making any other adjustment 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;

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

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

24 (G-15) An amount equal to the credit allowable to
25 the taxpayer under Section 218(a) of this Act,
26 determined without regard to Section 218(c) of this

1 Act;

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

6 (G-17) the amount that is claimed as a federal
7 deduction when computing the taxpayer's federal
8 taxable income for the taxable year and that is
9 attributable to an endowment gift for which the
10 taxpayer receives a credit under the Illinois Gives
11 Tax Credit Act;

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

14 (H) An amount equal to all amounts included in
15 such total pursuant to the provisions of Sections
16 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408
17 of the Internal Revenue Code or included in such total
18 as distributions under the provisions of any
19 retirement or disability plan for employees of any
20 governmental agency or unit, or retirement payments to
21 retired partners, which payments are excluded in
22 computing net earnings from self employment by Section
23 1402 of the Internal Revenue Code and regulations
24 adopted pursuant thereto;

25 (I) The valuation limitation amount;

26 (J) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the taxpayer
2 and included in such total for the taxable year;

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

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

1 any amount included in gross income under Section 87
2 of the Internal Revenue Code; the provisions of this
3 subparagraph are exempt from the provisions of Section
4 250;

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

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

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

25 (P) An amount equal to the amount of the deduction
26 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of
2 right for the taxable year pursuant to Section 1341 of
3 the Internal Revenue Code;

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

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

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

17 (1) "y" equals the amount of the depreciation
18 deduction taken for the taxable year on the
19 taxpayer's federal income tax return on property
20 for which the bonus depreciation deduction was
21 taken in any year under subsection (k) or (n) of
22 Section 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) or Section
20 168(n)(6) of the Internal Revenue Code to not
21 claim bonus 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) or (n) of Section 168 of the Internal Revenue Code.
12 This subparagraph (R) is exempt from the provisions of
13 Section 250;

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

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

26 The taxpayer is allowed to take the deduction

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

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

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

22 (U) An amount equal to the interest income taken
23 into account for the taxable year (net of the
24 deductions allocable thereto) with respect to
25 transactions with (i) for taxable years ending before
26 January 1, 2027, a foreign person who would be a member

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

17 (V) An amount equal to the income from intangible
18 property taken into account for the taxable year (net
19 of the deductions allocable thereto) with respect to
20 transactions with (i) for taxable years ending before
21 January 1, 2027, a foreign person who would be a member
22 of the taxpayer's unitary business group but for the
23 fact that the foreign person's business activity
24 outside the United States is 80% or more of that
25 person's total business activity and (ii) for taxable
26 years ending on or after December 31, 2008, to a person

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

13 (W) in the case of an estate, an amount equal to
14 all amounts included in such total pursuant to the
15 provisions of Section 111 of the Internal Revenue Code
16 as a recovery of items previously deducted by the
17 decedent from adjusted gross income in the computation
18 of taxable income. This subparagraph (W) is exempt
19 from Section 250;

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

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

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

15 (Z) For taxable years beginning after December 31,
16 2018, the amount of excess business loss of the
17 taxpayer disallowed as a deduction by Section
18 461(1)(1)(B) of the Internal Revenue Code; and

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

1 were disallowed under Section 280E of the Internal
2 Revenue Code for the taxable year and that would not be
3 added back under this subsection. The provisions of
4 this subparagraph (AA) are exempt from the provisions
5 of Section 250.

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

13 (d) Partnerships.

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

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

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

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

1 the taxable year;

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

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

10 (D-5) For taxable years 2001 through 2025, an
11 amount equal to the bonus depreciation deduction taken
12 on the taxpayer's federal income tax return for the
13 taxable year under subsection (k) of Section 168 of
14 the Internal Revenue Code; for taxable years 2026 and
15 thereafter, an amount equal to the bonus depreciation
16 deduction taken on the taxpayer's federal income tax
17 return for the taxable year under subsection (k) or
18 (n) of Section 168 of the Internal Revenue Code;

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

26 If the taxpayer continues to own property through

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

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

10 (D-7) An amount equal to the amount otherwise
11 allowed as a deduction in computing base income for
12 interest paid, accrued, or incurred, directly or
13 indirectly, (i) for taxable years ending on or after
14 December 31, 2004 and ending before January 1, 2027,
15 to a foreign person who would be a member of the same
16 unitary business group but for the fact the foreign
17 person's business activity outside the United States
18 is 80% or more of the foreign person's total business
19 activity and (ii) for taxable years ending on or after
20 December 31, 2008, to a person who would be a member of
21 the same unitary business group but for the fact that
22 the person is prohibited under Section 1501(a)(27)
23 from being included in the unitary business group
24 because he or she is ordinarily required to apportion
25 business income under different subsections of Section
26 304. The addition modification required by this

1 subparagraph shall be reduced to the extent that
2 dividends were included in base income of the unitary
3 group for the same taxable year and received by the
4 taxpayer or by a member of the taxpayer's unitary
5 business group (including amounts included in gross
6 income pursuant to Sections 951 through 964 of the
7 Internal Revenue Code and amounts included in gross
8 income under Section 78 of the Internal Revenue Code)
9 with respect to the stock of the same person to whom
10 the interest was paid, accrued, or incurred. For
11 taxable years ending on and after December 31, 2025,
12 for purposes of applying this paragraph in the case of
13 a taxpayer to which Section 163(j) of the Internal
14 Revenue Code applies for the taxable year, the
15 reduction in the amount of interest for which a
16 deduction is allowed by reason of Section 163(j) shall
17 be treated as allocable first to persons who are not
18 foreign persons referred to in this paragraph and then
19 to such foreign persons.

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

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

1 with respect to such interest; or

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

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

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

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

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

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

5 For taxable years ending on or after December 31,
6 2025, 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 if
9 the taxpayer can establish, based on a
10 preponderance of the evidence, both of the
11 following:

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

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

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

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

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

12 (D-8) An amount equal to the amount of intangible
13 expenses and costs otherwise allowed as a deduction in
14 computing base income, and that were paid, accrued, or
15 incurred, directly or indirectly, (i) for taxable
16 years ending on or after December 31, 2004 and ending
17 before January 1, 2027, to a foreign person who would
18 be a member of the same unitary business group but for
19 the fact that the foreign person's business activity
20 outside the United States is 80% or more of that
21 person's total business activity and (ii) for taxable
22 years ending on or after December 31, 2008, to a person
23 who would be a member of the same unitary business
24 group but for the fact that the person is prohibited
25 under Section 1501(a)(27) from being included in the
26 unitary business group because he or she is ordinarily

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

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

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

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

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

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

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

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

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

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

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

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

25 (b) the transaction giving rise to the
26 intangible expense or cost between the

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

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

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

24 (D-9) For taxable years ending on or after
25 December 31, 2008, an amount equal to the amount of
26 insurance premium expenses and costs otherwise allowed

1 as a deduction in computing base income, and that were
2 paid, accrued, or incurred, directly or indirectly, 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. The
9 addition modification required by this subparagraph
10 shall be reduced to the extent that dividends were
11 included in base income of the unitary group for the
12 same taxable year and received by the taxpayer or by a
13 member of the taxpayer's unitary business group
14 (including amounts included in gross income under
15 Sections 951 through 964 of the Internal Revenue Code
16 and amounts included in gross income under Section 78
17 of the Internal Revenue Code) with respect to the
18 stock of the same person to whom the premiums and costs
19 were directly or indirectly paid, incurred, or
20 accrued. The preceding sentence does not apply to the
21 extent that the same dividends caused a reduction to
22 the addition modification required under Section
23 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

24 (D-10) An amount equal to the credit allowable to
25 the taxpayer under Section 218(a) of this Act,
26 determined without regard to Section 218(c) of this

1 Act;

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

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

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

14 (E) The valuation limitation amount;

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

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

1 net of bond premium amortization;

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

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

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

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

9 (K) An amount equal to those dividends included in
10 such total which were paid by a corporation which
11 conducts business operations in 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 from 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 any contribution made to a
18 job training project established pursuant to the Real
19 Property Tax Increment Allocation Redevelopment Act;

20 (M) An amount equal to those dividends included in
21 such total that were paid by a corporation that
22 conducts business operations in a federally designated
23 Foreign Trade Zone or Sub-Zone and that is designated
24 a High Impact Business located in Illinois; provided
25 that dividends eligible for the deduction provided in
26 subparagraph (K) of paragraph (2) of this subsection

1 shall not be eligible for the deduction provided under
2 this subparagraph (M);

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

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

14 (1) "y" equals the amount of the depreciation
15 deduction taken for the taxable year on the
16 taxpayer's federal income tax return on property
17 for which the bonus depreciation deduction was
18 taken in any year under subsection (k) or (n) of
19 Section 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) or Section
17 168(n)(6) of the Internal Revenue Code to not
18 claim bonus 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) or (n) of Section 168 of the Internal Revenue Code.
9 This subparagraph (O) is exempt from the provisions of
10 Section 250;

11 (P) 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 (D-5), 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 (O) and for which the taxpayer was
20 required in any taxable year to make an addition
21 modification under subparagraph (D-5), 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 (P) is exempt from the

1 provisions of Section 250;

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

19 (R) An amount equal to the interest income taken
20 into account for the taxable year (net of the
21 deductions allocable thereto) with respect to
22 transactions with (i) for taxable years ending before
23 January 1, 2027, a foreign person who would be a member
24 of the taxpayer's unitary business group but for the
25 fact that the foreign person's business activity
26 outside the United States is 80% or more of that

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

14 (S) An amount equal to the income from intangible
15 property taken into account for the taxable year (net
16 of the deductions allocable thereto) with respect to
17 transactions with (i) for taxable years ending before
18 January 1, 2027, a foreign person who would be a member
19 of the taxpayer's unitary business group but for the
20 fact that the foreign person's business activity
21 outside the United States is 80% or more of that
22 person's total business activity and (ii) for taxable
23 years ending on or after December 31, 2008, to a person
24 who would be a member of the same unitary business
25 group but for the fact that the person is prohibited
26 under Section 1501(a)(27) from being included in the

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

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

25 (U) For taxable years beginning on or after
26 January 1, 2023, for any cannabis establishment

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

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

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

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

20 (1.5) Special rule. For taxable years ending on or
21 after January 1, 2027, for each member of a unitary
22 business group, as defined in paragraph (27) of subsection
23 (a) of Section 1501, that is neither organized in the
24 United States nor included in a consolidated federal
25 corporate income tax return, the member's gross income and
26 taxable income shall be determined from a profit and loss

1 statement prepared for that member on a separate entity
2 basis in the currency in which its books of account are
3 regularly maintained, provided this profit and loss
4 statement is subject to an independent audit, adjusted to
5 conform it to the accounting principles generally accepted
6 in the United States for the preparation of those
7 statements and further modified to take into account any
8 book-tax adjustments necessary to reflect federal and
9 Illinois tax law. Income so computed includes all income
10 from wherever derived and is not limited to United States
11 sources of income or effectively connected income within
12 the meaning of the Internal Revenue Code. Items of income,
13 expense, gain or loss that are denominated in a foreign
14 currency must be translated into U.S. dollars on a
15 reasonable basis consistently applied year-to-year and
16 entity-by-entity. Unrealized foreign currency gains and
17 losses shall not be recognized.

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

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

1 Internal Revenue Code;

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

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

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

14 (E) Consolidated corporations. In the case of a
15 corporation which is a member of an affiliated group
16 of corporations filing a consolidated income tax
17 return for the taxable year for federal income tax
18 purposes, taxable income determined as if such
19 corporation had filed a separate return for federal
20 income tax purposes for the taxable year and each
21 preceding taxable year for which it was a member of an
22 affiliated group. For purposes of this subparagraph,
23 the taxpayer's separate taxable income shall be
24 determined as if the election provided by Section
25 243(b)(2) of the Internal Revenue Code had been in
26 effect for all such years;

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

1 requirements for documenting the elections and any
2 resulting Illinois net loss and the standards to be
3 used by the Director in evaluating requests to revoke
4 elections. Public Act 96-932 is declaratory of
5 existing law;

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

23 (H) Partnerships. In the case of a partnership,
24 taxable income determined in accordance with Section
25 703 of the Internal Revenue Code, except that taxable
26 income shall take into account those items which are

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

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

21 (f) Valuation limitation amount.

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

25 (A) The sum of the pre-August 1, 1969 appreciation

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

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

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

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

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

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

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

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

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

1 August 1, 1969 or otherwise.

2 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;
3 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,
4 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.
5 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,
6 eff. 8-15-25; 104-453, eff. 12-12-25.)

7 (35 ILCS 5/304) (from Ch. 120, par. 3-304)

8 Sec. 304. Business income of persons other than residents.

9 (a) In general. The business income of a person other than
10 a resident shall be allocated to this State if such person's
11 business income is derived solely from this State. If a person
12 other than a resident derives business income from this State
13 and one or more other states, then, for tax years ending on or
14 before December 30, 1998, and except as otherwise provided by
15 this Section, such person's business income shall be
16 apportioned to this State by multiplying the income by a
17 fraction, the numerator of which is the sum of the property
18 factor (if any), the payroll factor (if any) and 200% of the
19 sales factor (if any), and the denominator of which is 4
20 reduced by the number of factors other than the sales factor
21 which have a denominator of zero and by an additional 2 if the
22 sales factor has a denominator of zero. For tax years ending on
23 or after December 31, 1998, and except as otherwise provided
24 by this Section, persons other than residents who derive
25 business income from this State and one or more other states

1 shall compute their apportionment factor by weighting their
2 property, payroll, and sales factors as provided in subsection
3 (h) of this Section.

4 (1) Property factor.

5 (A) The property factor is a fraction, the numerator
6 of which is the average value of the person's real and
7 tangible personal property owned or rented and used in the
8 trade or business in this State during the taxable year
9 and the denominator of which is the average value of all
10 the person's real and tangible personal property owned or
11 rented and used in the trade or business during the
12 taxable year.

13 (B) Property owned by the person is valued at its
14 original cost. Property rented by the person is valued at
15 8 times the net annual rental rate. Net annual rental rate
16 is the annual rental rate paid by the person less any
17 annual rental rate received by the person from
18 sub-rentals.

19 (C) The average value of property shall be determined
20 by averaging the values at the beginning and ending of the
21 taxable year, but the Director may require the averaging
22 of monthly values during the taxable year if reasonably
23 required to reflect properly the average value of the
24 person's property.

25 (2) Payroll factor.

26 (A) The payroll factor is a fraction, the numerator of

1 which is the total amount paid in this State during the
2 taxable year by the person for compensation, and the
3 denominator of which is the total compensation paid
4 everywhere during the taxable year.

5 (B) Compensation is paid in this State if:

6 (i) The individual's service is performed entirely
7 within this State;

8 (ii) The individual's service is performed both
9 within and without this State, but the service
10 performed without this State is incidental to the
11 individual's service performed within this State; or

12 (iii) For tax years ending prior to December 31,
13 2020, some of the service is performed within this
14 State and either the base of operations, or if there is
15 no base of operations, the place from which the
16 service is directed or controlled is within this
17 State, or the base of operations or the place from
18 which the service is directed or controlled is not in
19 any state in which some part of the service is
20 performed, but the individual's residence is in this
21 State. For tax years ending on or after December 31,
22 2020, compensation is paid in this State if some of the
23 individual's service is performed within this State,
24 the individual's service performed within this State
25 is nonincidental to the individual's service performed
26 without this State, and the individual's service is

1 performed within this State for more than 30 working
2 days during the tax year. The amount of compensation
3 paid in this State shall include the portion of the
4 individual's total compensation for services performed
5 on behalf of his or her employer during the tax year
6 which the number of working days spent within this
7 State during the tax year bears to the total number of
8 working days spent both within and without this State
9 during the tax year. For purposes of this paragraph:

10 (a) The term "working day" means all days
11 during the tax year in which the individual
12 performs duties on behalf of his or her employer.
13 All days in which the individual performs no
14 duties on behalf of his or her employer (e.g.,
15 weekends, vacation days, sick days, and holidays)
16 are not working days.

17 (b) A working day is spent within this State
18 if:

19 (1) the individual performs service on
20 behalf of the employer and a greater amount of
21 time on that day is spent by the individual
22 performing duties on behalf of the employer
23 within this State, without regard to time
24 spent traveling, than is spent performing
25 duties on behalf of the employer without this
26 State; or

1 (2) the only service the individual
2 performs on behalf of the employer on that day
3 is traveling to a destination within this
4 State, and the individual arrives on that day.

5 (c) Working days spent within this State do
6 not include any day in which the employee is
7 performing services in this State during a
8 disaster period solely in response to a request
9 made to his or her employer by the government of
10 this State, by any political subdivision of this
11 State, or by a person conducting business in this
12 State to perform disaster or emergency-related
13 services in this State. For purposes of this item
14 (c):

15 "Declared State disaster or emergency"
16 means a disaster or emergency event (i) for
17 which a Governor's proclamation of a state of
18 emergency has been issued or (ii) for which a
19 Presidential declaration of a federal major
20 disaster or emergency has been issued.

21 "Disaster period" means a period that
22 begins 10 days prior to the date of the
23 Governor's proclamation or the President's
24 declaration (whichever is earlier) and extends
25 for a period of 60 calendar days after the end
26 of the declared disaster or emergency period.

1 "Disaster or emergency-related services"
2 means repairing, renovating, installing,
3 building, or rendering services or conducting
4 other business activities that relate to
5 infrastructure that has been damaged,
6 impaired, or destroyed by the declared State
7 disaster or emergency.

8 "Infrastructure" means property and
9 equipment owned or used by a public utility,
10 communications network, broadband and Internet
11 service provider, cable and video service
12 provider, electric or gas distribution system,
13 or water pipeline that provides service to
14 more than one customer or person, including
15 related support facilities. "Infrastructure"
16 includes, but is not limited to, real and
17 personal property such as buildings, offices,
18 power lines, cable lines, poles,
19 communications lines, pipes, structures, and
20 equipment.

21 (iv) Compensation paid to nonresident professional
22 athletes.

23 (a) General. The Illinois source income of a
24 nonresident individual who is a member of a
25 professional athletic team includes the portion of the
26 individual's total compensation for services performed

1 as a member of a professional athletic team during the
2 taxable year which the number of duty days spent
3 within this State performing services for the team in
4 any manner during the taxable year bears to the total
5 number of duty days spent both within and without this
6 State during the taxable year.

7 (b) Travel days. Travel days that do not involve
8 either a game, practice, team meeting, or other
9 similar team event are not considered duty days spent
10 in this State. However, such travel days are
11 considered in the total duty days spent both within
12 and without this State.

13 (c) Definitions. For purposes of this subpart
14 (iv):

15 (1) The term "professional athletic team"
16 includes, but is not limited to, any professional
17 baseball, basketball, football, soccer, or hockey
18 team.

19 (2) The term "member of a professional
20 athletic team" includes those employees who are
21 active players, players on the disabled list, and
22 any other persons required to travel and who
23 travel with and perform services on behalf of a
24 professional athletic team on a regular basis.
25 This includes, but is not limited to, coaches,
26 managers, and trainers.

1 (3) Except as provided in items (C) and (D) of
2 this subpart (3), the term "duty days" means all
3 days during the taxable year from the beginning of
4 the professional athletic team's official
5 pre-season training period through the last game
6 in which the team competes or is scheduled to
7 compete. Duty days shall be counted for the year
8 in which they occur, including where a team's
9 official pre-season training period through the
10 last game in which the team competes or is
11 scheduled to compete, occurs during more than one
12 tax year.

13 (A) Duty days shall also include days on
14 which a member of a professional athletic team
15 performs service for a team on a date that
16 does not fall within the foregoing period
17 (e.g., participation in instructional leagues,
18 the "All Star Game", or promotional
19 "caravans"). Performing a service for a
20 professional athletic team includes conducting
21 training and rehabilitation activities, when
22 such activities are conducted at team
23 facilities.

24 (B) Also included in duty days are game
25 days, practice days, days spent at team
26 meetings, promotional caravans, preseason

1 training camps, and days served with the team
2 through all post-season games in which the
3 team competes or is scheduled to compete.

4 (C) Duty days for any person who joins a
5 team during the period from the beginning of
6 the professional athletic team's official
7 pre-season training period through the last
8 game in which the team competes, or is
9 scheduled to compete, shall begin on the day
10 that person joins the team. Conversely, duty
11 days for any person who leaves a team during
12 this period shall end on the day that person
13 leaves the team. Where a person switches teams
14 during a taxable year, a separate duty-day
15 calculation shall be made for the period the
16 person was with each team.

17 (D) Days for which a member of a
18 professional athletic team is not compensated
19 and is not performing services for the team in
20 any manner, including days when such member of
21 a professional athletic team has been
22 suspended without pay and prohibited from
23 performing any services for the team, shall
24 not be treated as duty days.

25 (E) Days for which a member of a
26 professional athletic team is on the disabled

1 list and does not conduct rehabilitation
2 activities at facilities of the team, and is
3 not otherwise performing services for the team
4 in Illinois, shall not be considered duty days
5 spent in this State. All days on the disabled
6 list, however, are considered to be included
7 in total duty days spent both within and
8 without this State.

9 (4) The term "total compensation for services
10 performed as a member of a professional athletic
11 team" means the total compensation received during
12 the taxable year for services performed:

13 (A) from the beginning of the official
14 pre-season training period through the last
15 game in which the team competes or is
16 scheduled to compete during that taxable year;
17 and

18 (B) during the taxable year on a date
19 which does not fall within the foregoing
20 period (e.g., participation in instructional
21 leagues, the "All Star Game", or promotional
22 caravans).

23 This compensation shall include, but is not
24 limited to, salaries, wages, bonuses as described
25 in this subpart, and any other type of
26 compensation paid during the taxable year to a

1 member of a professional athletic team for
2 services performed in that year. This compensation
3 does not include strike benefits, severance pay,
4 termination pay, contract or option year buy-out
5 payments, expansion or relocation payments, or any
6 other payments not related to services performed
7 for the team.

8 For purposes of this subparagraph, "bonuses"
9 included in "total compensation for services
10 performed as a member of a professional athletic
11 team" subject to the allocation described in
12 Section 302(c)(1) are: bonuses earned as a result
13 of play (i.e., performance bonuses) during the
14 season, including bonuses paid for championship,
15 playoff or "bowl" games played by a team, or for
16 selection to all-star league or other honorary
17 positions; and bonuses paid for signing a
18 contract, unless the payment of the signing bonus
19 is not conditional upon the signee playing any
20 games for the team or performing any subsequent
21 services for the team or even making the team, the
22 signing bonus is payable separately from the
23 salary and any other compensation, and the signing
24 bonus is nonrefundable.

25 (3) Sales factor.

26 (A) The sales factor is a fraction, the numerator of

1 which is the total sales of the person in this State during
2 the taxable year, and the denominator of which is the
3 total sales of the person everywhere during the taxable
4 year.

5 (B) Sales of tangible personal property are in this
6 State if:

7 (i) The property is delivered or shipped to a
8 purchaser, other than the United States government,
9 within this State regardless of the f. o. b. point or
10 other conditions of the sale; or

11 (ii) The property is shipped from an office,
12 store, warehouse, factory or other place of storage in
13 this State and either the purchaser is the United
14 States government or the person is not taxable in the
15 state of the purchaser; provided, however, that
16 premises owned or leased by a person who has
17 independently contracted with the seller for the
18 printing of newspapers, periodicals or books shall not
19 be deemed to be an office, store, warehouse, factory
20 or other place of storage for purposes of this
21 Section. For taxable years ending before January 1,
22 2027, sales ~~Sales~~ of tangible personal property are
23 not in this State if the seller and purchaser would be
24 members of the same unitary business group but for the
25 fact that either the seller or purchaser is a person
26 with 80% or more of total business activity outside of

1 the United States and the property is purchased for
2 resale.

3 (B-1) Patents, copyrights, trademarks, and similar
4 items of intangible personal property.

5 (i) Gross receipts from the licensing, sale, or
6 other disposition of a patent, copyright, trademark,
7 or similar item of intangible personal property, other
8 than gross receipts governed by paragraph (B-7) of
9 this item (3), are in this State to the extent the item
10 is utilized in this State during the year the gross
11 receipts are included in gross income.

12 (ii) Place of utilization.

13 (I) A patent is utilized in a state to the
14 extent that it is employed in production,
15 fabrication, manufacturing, or other processing in
16 the state or to the extent that a patented product
17 is produced in the state. If a patent is utilized
18 in more than one state, the extent to which it is
19 utilized in any one state shall be a fraction
20 equal to the gross receipts of the licensee or
21 purchaser from sales or leases of items produced,
22 fabricated, manufactured, or processed within that
23 state using the patent and of patented items
24 produced within that state, divided by the total
25 of such gross receipts for all states in which the
26 patent is utilized.

1 (II) A copyright is utilized in a state to the
2 extent that printing or other publication
3 originates in the state. If a copyright is
4 utilized in more than one state, the extent to
5 which it is utilized in any one state shall be a
6 fraction equal to the gross receipts from sales or
7 licenses of materials printed or published in that
8 state divided by the total of such gross receipts
9 for all states in which the copyright is utilized.

10 (III) Trademarks and other items of intangible
11 personal property governed by this paragraph (B-1)
12 are utilized in the state in which the commercial
13 domicile of the licensee or purchaser is located.

14 (iii) If the state of utilization of an item of
15 property governed by this paragraph (B-1) cannot be
16 determined from the taxpayer's books and records or
17 from the books and records of any person related to the
18 taxpayer within the meaning of Section 267(b) of the
19 Internal Revenue Code, 26 U.S.C. 267, the gross
20 receipts attributable to that item shall be excluded
21 from both the numerator and the denominator of the
22 sales factor.

23 (B-2) Gross receipts from the license, sale, or other
24 disposition of patents, copyrights, trademarks, and
25 similar items of intangible personal property, other than
26 gross receipts governed by paragraph (B-7) of this item

1 (3), may be included in the numerator or denominator of
2 the sales factor only if gross receipts from licenses,
3 sales, or other disposition of such items comprise more
4 than 50% of the taxpayer's total gross receipts included
5 in gross income during the tax year and during each of the
6 2 immediately preceding tax years; provided that, when a
7 taxpayer is a member of a unitary business group, such
8 determination shall be made on the basis of the gross
9 receipts of the entire unitary business group.

10 (B-5) For taxable years ending on or after December
11 31, 2008, except as provided in subsections (ii) through
12 (vii), receipts from the sale of telecommunications
13 service or mobile telecommunications service are in this
14 State if the customer's service address is in this State.

15 (i) For purposes of this subparagraph (B-5), the
16 following terms have the following meanings:

17 "Ancillary services" means services that are
18 associated with or incidental to the provision of
19 "telecommunications services", including, but not
20 limited to, "detailed telecommunications billing",
21 "directory assistance", "vertical service", and "voice
22 mail services".

23 "Air-to-Ground Radiotelephone service" means a
24 radio service, as that term is defined in 47 CFR 22.99,
25 in which common carriers are authorized to offer and
26 provide radio telecommunications service for hire to

1 subscribers in aircraft.

2 "Call-by-call Basis" means any method of charging
3 for telecommunications services where the price is
4 measured by individual calls.

5 "Communications Channel" means a physical or
6 virtual path of communications over which signals are
7 transmitted between or among customer channel
8 termination points.

9 "Conference bridging service" means an "ancillary
10 service" that links two or more participants of an
11 audio or video conference call and may include the
12 provision of a telephone number. "Conference bridging
13 service" does not include the "telecommunications
14 services" used to reach the conference bridge.

15 "Customer Channel Termination Point" means the
16 location where the customer either inputs or receives
17 the communications.

18 "Detailed telecommunications billing service"
19 means an "ancillary service" of separately stating
20 information pertaining to individual calls on a
21 customer's billing statement.

22 "Directory assistance" means an "ancillary
23 service" of providing telephone number information,
24 and/or address information.

25 "Home service provider" means the facilities based
26 carrier or reseller with which the customer contracts

1 for the provision of mobile telecommunications
2 services.

3 "Mobile telecommunications service" means
4 commercial mobile radio service, as defined in Section
5 20.3 of Title 47 of the Code of Federal Regulations as
6 in effect on June 1, 1999.

7 "Place of primary use" means the street address
8 representative of where the customer's use of the
9 telecommunications service primarily occurs, which
10 must be the residential street address or the primary
11 business street address of the customer. In the case
12 of mobile telecommunications services, "place of
13 primary use" must be within the licensed service area
14 of the home service provider.

15 "Post-paid telecommunication service" means the
16 telecommunications service obtained by making a
17 payment on a call-by-call basis either through the use
18 of a credit card or payment mechanism such as a bank
19 card, travel card, credit card, or debit card, or by
20 charge made to a telephone number which is not
21 associated with the origination or termination of the
22 telecommunications service. A post-paid calling
23 service includes telecommunications service, except a
24 prepaid wireless calling service, that would be a
25 prepaid calling service except it is not exclusively a
26 telecommunication service.

1 "Prepaid telecommunication service" means the
2 right to access exclusively telecommunications
3 services, which must be paid for in advance and which
4 enables the origination of calls using an access
5 number or authorization code, whether manually or
6 electronically dialed, and that is sold in
7 predetermined units or dollars of which the number
8 declines with use in a known amount.

9 "Prepaid Mobile telecommunication service" means a
10 telecommunications service that provides the right to
11 utilize mobile wireless service as well as other
12 non-telecommunication services, including, but not
13 limited to, ancillary services, which must be paid for
14 in advance that is sold in predetermined units or
15 dollars of which the number declines with use in a
16 known amount.

17 "Private communication service" means a
18 telecommunication service that entitles the customer
19 to exclusive or priority use of a communications
20 channel or group of channels between or among
21 termination points, regardless of the manner in which
22 such channel or channels are connected, and includes
23 switching capacity, extension lines, stations, and any
24 other associated services that are provided in
25 connection with the use of such channel or channels.

26 "Service address" means:

1 (a) The location of the telecommunications
2 equipment to which a customer's call is charged
3 and from which the call originates or terminates,
4 regardless of where the call is billed or paid;

5 (b) If the location in line (a) is not known,
6 service address means the origination point of the
7 signal of the telecommunications services first
8 identified by either the seller's
9 telecommunications system or in information
10 received by the seller from its service provider
11 where the system used to transport such signals is
12 not that of the seller; and

13 (c) If the locations in line (a) and line (b)
14 are not known, the service address means the
15 location of the customer's place of primary use.

16 "Telecommunications service" means the electronic
17 transmission, conveyance, or routing of voice, data,
18 audio, video, or any other information or signals to a
19 point, or between or among points. The term
20 "telecommunications service" includes such
21 transmission, conveyance, or routing in which computer
22 processing applications are used to act on the form,
23 code or protocol of the content for purposes of
24 transmission, conveyance or routing without regard to
25 whether such service is referred to as voice over
26 Internet protocol services or is classified by the

1 Federal Communications Commission as enhanced or value
2 added. "Telecommunications service" does not include:

3 (a) Data processing and information services
4 that allow data to be generated, acquired, stored,
5 processed, or retrieved and delivered by an
6 electronic transmission to a purchaser when such
7 purchaser's primary purpose for the underlying
8 transaction is the processed data or information;

9 (b) Installation or maintenance of wiring or
10 equipment on a customer's premises;

11 (c) Tangible personal property;

12 (d) Advertising, including, but not limited
13 to, directory advertising;

14 (e) Billing and collection services provided
15 to third parties;

16 (f) Internet access service;

17 (g) Radio and television audio and video
18 programming services, regardless of the medium,
19 including the furnishing of transmission,
20 conveyance and routing of such services by the
21 programming service provider. Radio and television
22 audio and video programming services shall
23 include, but not be limited to, cable service as
24 defined in 47 USC 522(6) and audio and video
25 programming services delivered by commercial
26 mobile radio service providers, as defined in 47

1 CFR 20.3;

2 (h) "Ancillary services"; or

3 (i) Digital products "delivered
4 electronically", including, but not limited to,
5 software, music, video, reading materials or
6 ringtones.

7 "Vertical service" means an "ancillary service"
8 that is offered in connection with one or more
9 "telecommunications services", which offers advanced
10 calling features that allow customers to identify
11 callers and to manage multiple calls and call
12 connections, including "conference bridging services".

13 "Voice mail service" means an "ancillary service"
14 that enables the customer to store, send or receive
15 recorded messages. "Voice mail service" does not
16 include any "vertical services" that the customer may
17 be required to have in order to utilize the "voice mail
18 service".

19 (ii) Receipts from the sale of telecommunications
20 service sold on an individual call-by-call basis are
21 in this State if either of the following applies:

22 (a) The call both originates and terminates in
23 this State.

24 (b) The call either originates or terminates
25 in this State and the service address is located
26 in this State.

1 (iii) Receipts from the sale of postpaid
2 telecommunications service at retail are in this State
3 if the origination point of the telecommunication
4 signal, as first identified by the service provider's
5 telecommunication system or as identified by
6 information received by the seller from its service
7 provider if the system used to transport
8 telecommunication signals is not the seller's, is
9 located in this State.

10 (iv) Receipts from the sale of prepaid
11 telecommunications service or prepaid mobile
12 telecommunications service at retail are in this State
13 if the purchaser obtains the prepaid card or similar
14 means of conveyance at a location in this State.
15 Receipts from recharging a prepaid telecommunications
16 service or mobile telecommunications service is in
17 this State if the purchaser's billing information
18 indicates a location in this State.

19 (v) Receipts from the sale of private
20 communication services are in this State as follows:

21 (a) 100% of receipts from charges imposed at
22 each channel termination point in this State.

23 (b) 100% of receipts from charges for the
24 total channel mileage between each channel
25 termination point in this State.

26 (c) 50% of the total receipts from charges for

1 service segments when those segments are between 2
2 customer channel termination points, 1 of which is
3 located in this State and the other is located
4 outside of this State, which segments are
5 separately charged.

6 (d) The receipts from charges for service
7 segments with a channel termination point located
8 in this State and in two or more other states, and
9 which segments are not separately billed, are in
10 this State based on a percentage determined by
11 dividing the number of customer channel
12 termination points in this State by the total
13 number of customer channel termination points.

14 (vi) Receipts from charges for ancillary services
15 for telecommunications service sold to customers at
16 retail are in this State if the customer's primary
17 place of use of telecommunications services associated
18 with those ancillary services is in this State. If the
19 seller of those ancillary services cannot determine
20 where the associated telecommunications are located,
21 then the ancillary services shall be based on the
22 location of the purchaser.

23 (vii) Receipts to access a carrier's network or
24 from the sale of telecommunication services or
25 ancillary services for resale are in this State as
26 follows:

1 (a) 100% of the receipts from access fees
2 attributable to intrastate telecommunications
3 service that both originates and terminates in
4 this State.

5 (b) 50% of the receipts from access fees
6 attributable to interstate telecommunications
7 service if the interstate call either originates
8 or terminates in this State.

9 (c) 100% of the receipts from interstate end
10 user access line charges, if the customer's
11 service address is in this State. As used in this
12 subdivision, "interstate end user access line
13 charges" includes, but is not limited to, the
14 surcharge approved by the federal communications
15 commission and levied pursuant to 47 CFR 69.

16 (d) Gross receipts from sales of
17 telecommunication services or from ancillary
18 services for telecommunications services sold to
19 other telecommunication service providers for
20 resale shall be sourced to this State using the
21 apportionment concepts used for non-resale
22 receipts of telecommunications services if the
23 information is readily available to make that
24 determination. If the information is not readily
25 available, then the taxpayer may use any other
26 reasonable and consistent method.

1 (B-7) For taxable years ending on or after December
2 31, 2008, receipts from the sale of broadcasting services
3 are in this State if the broadcasting services are
4 received in this State. For purposes of this paragraph
5 (B-7), the following terms have the following meanings:

6 "Advertising revenue" means consideration received
7 by the taxpayer in exchange for broadcasting services
8 or allowing the broadcasting of commercials or
9 announcements in connection with the broadcasting of
10 film or radio programming, from sponsorships of the
11 programming, or from product placements in the
12 programming.

13 "Audience factor" means the ratio that the
14 audience or subscribers located in this State of a
15 station, a network, or a cable system bears to the
16 total audience or total subscribers for that station,
17 network, or cable system. The audience factor for film
18 or radio programming shall be determined by reference
19 to the books and records of the taxpayer or by
20 reference to published rating statistics provided the
21 method used by the taxpayer is consistently used from
22 year to year for this purpose and fairly represents
23 the taxpayer's activity in this State.

24 "Broadcast" or "broadcasting" or "broadcasting
25 services" means the transmission or provision of film
26 or radio programming, whether through the public

1 airwaves, by cable, by direct or indirect satellite
2 transmission, or by any other means of communication,
3 either through a station, a network, or a cable
4 system.

5 "Film" or "film programming" means the broadcast
6 on television of any and all performances, events, or
7 productions, including, but not limited to, news,
8 sporting events, plays, stories, or other literary,
9 commercial, educational, or artistic works, either
10 live or through the use of video tape, disc, or any
11 other type of format or medium. Each episode of a
12 series of films produced for television shall
13 constitute a separate "film" notwithstanding that the
14 series relates to the same principal subject and is
15 produced during one or more tax periods.

16 "Radio" or "radio programming" means the broadcast
17 on radio of any and all performances, events, or
18 productions, including, but not limited to, news,
19 sporting events, plays, stories, or other literary,
20 commercial, educational, or artistic works, either
21 live or through the use of an audio tape, disc, or any
22 other format or medium. Each episode in a series of
23 radio programming produced for radio broadcast shall
24 constitute a separate "radio programming"
25 notwithstanding that the series relates to the same
26 principal subject and is produced during one or more

1 tax periods.

2 (i) In the case of advertising revenue from
3 broadcasting, the customer is the advertiser and
4 the service is received in this State if the
5 commercial domicile of the advertiser is in this
6 State.

7 (ii) In the case where film or radio
8 programming is broadcast by a station, a network,
9 or a cable system for a fee or other remuneration
10 received from the recipient of the broadcast, the
11 portion of the service that is received in this
12 State is measured by the portion of the recipients
13 of the broadcast located in this State.
14 Accordingly, the fee or other remuneration for
15 such service that is included in the Illinois
16 numerator of the sales factor is the total of
17 those fees or other remuneration received from
18 recipients in Illinois. For purposes of this
19 paragraph, a taxpayer may determine the location
20 of the recipients of its broadcast using the
21 address of the recipient shown in its contracts
22 with the recipient or using the billing address of
23 the recipient in the taxpayer's records.

24 (iii) In the case where film or radio
25 programming is broadcast by a station, a network,
26 or a cable system for a fee or other remuneration

1 from the person providing the programming, the
2 portion of the broadcast service that is received
3 by such station, network, or cable system in this
4 State is measured by the portion of recipients of
5 the broadcast located in this State. Accordingly,
6 the amount of revenue related to such an
7 arrangement that is included in the Illinois
8 numerator of the sales factor is the total fee or
9 other total remuneration from the person providing
10 the programming related to that broadcast
11 multiplied by the Illinois audience factor for
12 that broadcast.

13 (iv) In the case where film or radio
14 programming is provided by a taxpayer that is a
15 network or station to a customer for broadcast in
16 exchange for a fee or other remuneration from that
17 customer the broadcasting service is received at
18 the location of the office of the customer from
19 which the services were ordered in the regular
20 course of the customer's trade or business.
21 Accordingly, in such a case the revenue derived by
22 the taxpayer that is included in the taxpayer's
23 Illinois numerator of the sales factor is the
24 revenue from such customers who receive the
25 broadcasting service in Illinois.

26 (v) In the case where film or radio

1 programming is provided by a taxpayer that is not
2 a network or station to another person for
3 broadcasting in exchange for a fee or other
4 remuneration from that person, the broadcasting
5 service is received at the location of the office
6 of the customer from which the services were
7 ordered in the regular course of the customer's
8 trade or business. Accordingly, in such a case the
9 revenue derived by the taxpayer that is included
10 in the taxpayer's Illinois numerator of the sales
11 factor is the revenue from such customers who
12 receive the broadcasting service in Illinois.

13 (B-8) Gross receipts from winnings under the Illinois
14 Lottery Law from the assignment of a prize under Section
15 13.1 of the Illinois Lottery Law are received in this
16 State. This paragraph (B-8) applies only to taxable years
17 ending on or after December 31, 2013.

18 (B-9) For taxable years ending on or after December
19 31, 2019, gross receipts from winnings from pari-mutuel
20 wagering conducted at a wagering facility licensed under
21 the Illinois Horse Racing Act of 1975 or from winnings
22 from gambling games conducted on a riverboat or in a
23 casino or organization gaming facility licensed under the
24 Illinois Gambling Act are in this State.

25 (B-10) For taxable years ending on or after December
26 31, 2021, gross receipts from winnings from sports

1 wagering conducted in accordance with the Sports Wagering
2 Act are in this State.

3 (C) For taxable years ending before December 31, 2008,
4 sales, other than sales governed by paragraphs (B), (B-1),
5 (B-2), and (B-8) are in this State if:

6 (i) The income-producing activity is performed in
7 this State; or

8 (ii) The income-producing activity is performed
9 both within and without this State and a greater
10 proportion of the income-producing activity is
11 performed within this State than without this State,
12 based on performance costs.

13 (C-5) For taxable years ending on or after December
14 31, 2008, sales, other than sales governed by paragraphs
15 (B), (B-1), (B-2), (B-5), and (B-7), are in this State if
16 any of the following criteria are met:

17 (i) Sales from the sale or lease of real property
18 are in this State if the property is located in this
19 State.

20 (ii) Sales from the lease or rental of tangible
21 personal property are in this State if the property is
22 located in this State during the rental period. Sales
23 from the lease or rental of tangible personal property
24 that is characteristically moving property, including,
25 but not limited to, motor vehicles, rolling stock,
26 aircraft, vessels, or mobile equipment are in this

1 State to the extent that the property is used in this
2 State.

3 (iii) In the case of interest, net gains (but not
4 less than zero) and other items of income from
5 intangible personal property, the sale is in this
6 State if:

7 (a) in the case of a taxpayer who is a dealer
8 in the item of intangible personal property within
9 the meaning of Section 475 of the Internal Revenue
10 Code, the income or gain is received from a
11 customer in this State. For purposes of this
12 subparagraph, a customer is in this State if the
13 customer is an individual, trust or estate who is
14 a resident of this State and, for all other
15 customers, if the customer's commercial domicile
16 is in this State. Unless the dealer has actual
17 knowledge of the residence or commercial domicile
18 of a customer during a taxable year, the customer
19 shall be deemed to be a customer in this State if
20 the billing address of the customer, as shown in
21 the records of the dealer, is in this State;

22 (a-5) in the case of the sale or exchange of
23 shares in a Subchapter S corporation or an
24 interest in a partnership, other than an
25 investment partnership as defined in paragraph
26 (11.5) of subsection (a) of Section 1501, the

1 Subchapter S corporation or partnership was
2 taxable in this State; for purposes of this
3 subparagraph, the amount attributable to this
4 State shall be determined in proportion to the
5 average of the pass-through entity's Illinois
6 apportionment factor computed under this Section
7 in the year of the sale or exchange and the 2 tax
8 years immediately preceding the year of the sale
9 or exchange; if the pass-through entity was not in
10 existence during both of the preceding 2 years,
11 then only the years in which the pass-through
12 entity was in existence shall be considered when
13 computing the average; or

14 (b) in all other cases, if the
15 income-producing activity of the taxpayer is
16 performed in this State or, if the
17 income-producing activity of the taxpayer is
18 performed both within and without this State, if a
19 greater proportion of the income-producing
20 activity of the taxpayer is performed within this
21 State than in any other state, based on
22 performance costs.

23 (iv) Sales of services are in this State if the
24 services are received in this State. For the purposes
25 of this section, gross receipts from the performance
26 of services provided to a corporation, partnership, or

1 trust may only be attributed to a state where that
2 corporation, partnership, or trust has a fixed place
3 of business. If the state where the services are
4 received is not readily determinable or is a state
5 where the corporation, partnership, or trust receiving
6 the service does not have a fixed place of business,
7 the services shall be deemed to be received at the
8 location of the office of the customer from which the
9 services were ordered in the regular course of the
10 customer's trade or business. If the ordering office
11 cannot be determined, the services shall be deemed to
12 be received at the office of the customer to which the
13 services are billed. If the taxpayer is not taxable in
14 the state in which the services are received, the sale
15 must be excluded from both the numerator and the
16 denominator of the sales factor. The Department shall
17 adopt rules prescribing where specific types of
18 service are received, including, but not limited to,
19 publishing, and utility service.

20 (D) For taxable years ending on or after December 31,
21 1995, the following items of income shall not be included
22 in the numerator or denominator of the sales factor:
23 dividends; amounts included under Section 78 of the
24 Internal Revenue Code; and Subpart F income as defined in
25 Section 952 of the Internal Revenue Code. No inference
26 shall be drawn from the enactment of this paragraph (D) in

1 construing this Section for taxable years ending before
2 December 31, 1995.

3 (E) Paragraphs (B-1) and (B-2) shall apply to tax
4 years ending on or after December 31, 1999, provided that
5 a taxpayer may elect to apply the provisions of these
6 paragraphs to prior tax years. Such election shall be made
7 in the form and manner prescribed by the Department, shall
8 be irrevocable, and shall apply to all tax years; provided
9 that, if a taxpayer's Illinois income tax liability for
10 any tax year, as assessed under Section 903 prior to
11 January 1, 1999, was computed in a manner contrary to the
12 provisions of paragraphs (B-1) or (B-2), no refund shall
13 be payable to the taxpayer for that tax year to the extent
14 such refund is the result of applying the provisions of
15 paragraph (B-1) or (B-2) retroactively. In the case of a
16 unitary business group, such election shall apply to all
17 members of such group for every tax year such group is in
18 existence, but shall not apply to any taxpayer for any
19 period during which that taxpayer is not a member of such
20 group.

21 (b) Insurance companies.

22 (1) In general. Except as otherwise provided by
23 paragraph (2), business income of an insurance company for
24 a taxable year shall be apportioned to this State by
25 multiplying such income by a fraction, the numerator of
26 which is the direct premiums written for insurance upon

1 property or risk in this State, and the denominator of
2 which is the direct premiums written for insurance upon
3 property or risk everywhere. For purposes of this
4 subsection, the term "direct premiums written" means the
5 total amount of direct premiums written, assessments and
6 annuity considerations as reported for the taxable year on
7 the annual statement filed by the company with the
8 Illinois Director of Insurance in the form approved by the
9 National Convention of Insurance Commissioners or such
10 other form as may be prescribed in lieu thereof.

11 (2) Reinsurance. If the principal source of premiums
12 written by an insurance company consists of premiums for
13 reinsurance accepted by it, the business income of such
14 company shall be apportioned to this State by multiplying
15 such income by a fraction, the numerator of which is the
16 sum of (i) direct premiums written for insurance upon
17 property or risk in this State, plus (ii) premiums written
18 for reinsurance accepted in respect of property or risk in
19 this State, and the denominator of which is the sum of
20 (iii) direct premiums written for insurance upon property
21 or risk everywhere, plus (iv) premiums written for
22 reinsurance accepted in respect of property or risk
23 everywhere. For purposes of this paragraph, premiums
24 written for reinsurance accepted in respect of property or
25 risk in this State, whether or not otherwise determinable,
26 may, at the election of the company, be determined on the

1 basis of the proportion which premiums written for
2 reinsurance accepted from companies commercially domiciled
3 in Illinois bears to premiums written for reinsurance
4 accepted from all sources, or, alternatively, in the
5 proportion which the sum of the direct premiums written
6 for insurance upon property or risk in this State by each
7 ceding company from which reinsurance is accepted bears to
8 the sum of the total direct premiums written by each such
9 ceding company for the taxable year. The election made by
10 a company under this paragraph for its first taxable year
11 ending on or after December 31, 2011, shall be binding for
12 that company for that taxable year and for all subsequent
13 taxable years, and may be altered only with the written
14 permission of the Department, which shall not be
15 unreasonably withheld.

16 (c) Financial organizations.

17 (1) In general. For taxable years ending before
18 December 31, 2008, business income of a financial
19 organization shall be apportioned to this State by
20 multiplying such income by a fraction, the numerator of
21 which is its business income from sources within this
22 State, and the denominator of which is its business income
23 from all sources. For the purposes of this subsection, the
24 business income of a financial organization from sources
25 within this State is the sum of the amounts referred to in
26 subparagraphs (A) through (E) following, but excluding the

1 adjusted income of an international banking facility as
2 determined in paragraph (2):

3 (A) Fees, commissions or other compensation for
4 financial services rendered within this State;

5 (B) Gross profits from trading in stocks, bonds or
6 other securities managed within this State;

7 (C) Dividends, and interest from Illinois
8 customers, which are received within this State;

9 (D) Interest charged to customers at places of
10 business maintained within this State for carrying
11 debit balances of margin accounts, without deduction
12 of any costs incurred in carrying such accounts; and

13 (E) Any other gross income resulting from the
14 operation as a financial organization within this
15 State.

16 In computing the amounts referred to in paragraphs (A)
17 through (E) of this subsection, any amount received by a
18 member of an affiliated group (determined under Section
19 1504(a) of the Internal Revenue Code but without reference
20 to whether any such corporation is an "includible
21 corporation" under Section 1504(b) of the Internal Revenue
22 Code) from another member of such group shall be included
23 only to the extent such amount exceeds expenses of the
24 recipient directly related thereto.

25 (2) International Banking Facility. For taxable years
26 ending before December 31, 2008:

1 (A) Adjusted Income. The adjusted income of an
2 international banking facility is its income reduced
3 by the amount of the floor amount.

4 (B) Floor Amount. The floor amount shall be the
5 amount, if any, determined by multiplying the income
6 of the international banking facility by a fraction,
7 not greater than one, which is determined as follows:

8 (i) The numerator shall be:

9 The average aggregate, determined on a
10 quarterly basis, of the financial organization's
11 loans to banks in foreign countries, to foreign
12 domiciled borrowers (except where secured
13 primarily by real estate) and to foreign
14 governments and other foreign official
15 institutions, as reported for its branches,
16 agencies and offices within the state on its
17 "Consolidated Report of Condition", Schedule A,
18 Lines 2.c., 5.b., and 7.a., which was filed with
19 the Federal Deposit Insurance Corporation and
20 other regulatory authorities, for the year 1980,
21 minus

22 The average aggregate, determined on a
23 quarterly basis, of such loans (other than loans
24 of an international banking facility), as reported
25 by the financial institution for its branches,
26 agencies and offices within the state, on the

1 corresponding Schedule and lines of the
2 Consolidated Report of Condition for the current
3 taxable year, provided, however, that in no case
4 shall the amount determined in this clause (the
5 subtrahend) exceed the amount determined in the
6 preceding clause (the minuend); and

7 (ii) the denominator shall be the average
8 aggregate, determined on a quarterly basis, of the
9 international banking facility's loans to banks in
10 foreign countries, to foreign domiciled borrowers
11 (except where secured primarily by real estate)
12 and to foreign governments and other foreign
13 official institutions, which were recorded in its
14 financial accounts for the current taxable year.

15 (C) Change to Consolidated Report of Condition and
16 in Qualification. In the event the Consolidated Report
17 of Condition which is filed with the Federal Deposit
18 Insurance Corporation and other regulatory authorities
19 is altered so that the information required for
20 determining the floor amount is not found on Schedule
21 A, lines 2.c., 5.b. and 7.a., the financial
22 institution shall notify the Department and the
23 Department may, by regulations or otherwise, prescribe
24 or authorize the use of an alternative source for such
25 information. The financial institution shall also
26 notify the Department should its international banking

1 facility fail to qualify as such, in whole or in part,
2 or should there be any amendment or change to the
3 Consolidated Report of Condition, as originally filed,
4 to the extent such amendment or change alters the
5 information used in determining the floor amount.

6 (3) For taxable years ending on or after December 31,
7 2008, the business income of a financial organization
8 shall be apportioned to this State by multiplying such
9 income by a fraction, the numerator of which is its gross
10 receipts from sources in this State or otherwise
11 attributable to this State's marketplace and the
12 denominator of which is its gross receipts everywhere
13 during the taxable year. "Gross receipts" for purposes of
14 this subparagraph (3) means gross income, including net
15 taxable gain on disposition of assets, including
16 securities and money market instruments, when derived from
17 transactions and activities in the regular course of the
18 financial organization's trade or business. The following
19 examples are illustrative:

20 (i) Receipts from the lease or rental of real or
21 tangible personal property are in this State if the
22 property is located in this State during the rental
23 period. Receipts from the lease or rental of tangible
24 personal property that is characteristically moving
25 property, including, but not limited to, motor
26 vehicles, rolling stock, aircraft, vessels, or mobile

1 equipment are from sources in this State to the extent
2 that the property is used in this State.

3 (ii) Interest income, commissions, fees, gains on
4 disposition, and other receipts from assets in the
5 nature of loans that are secured primarily by real
6 estate or tangible personal property are from sources
7 in this State if the security is located in this State.

8 (iii) Interest income, commissions, fees, gains on
9 disposition, and other receipts from consumer loans
10 that are not secured by real or tangible personal
11 property are from sources in this State if the debtor
12 is a resident of this State.

13 (iv) Interest income, commissions, fees, gains on
14 disposition, and other receipts from commercial loans
15 and installment obligations that are not secured by
16 real or tangible personal property are from sources in
17 this State if the proceeds of the loan are to be
18 applied in this State. If it cannot be determined
19 where the funds are to be applied, the income and
20 receipts are from sources in this State if the office
21 of the borrower from which the loan was negotiated in
22 the regular course of business is located in this
23 State. If the location of this office cannot be
24 determined, the income and receipts shall be excluded
25 from the numerator and denominator of the sales
26 factor.

1 (v) Interest income, fees, gains on disposition,
2 service charges, merchant discount income, and other
3 receipts from credit card receivables are from sources
4 in this State if the card charges are regularly billed
5 to a customer in this State.

6 (vi) Receipts from the performance of services,
7 including, but not limited to, fiduciary, advisory,
8 and brokerage services, are in this State if the
9 services are received in this State within the meaning
10 of subparagraph (a) (3) (C-5) (iv) of this Section.

11 (vii) Receipts from the issuance of travelers
12 checks and money orders are from sources in this State
13 if the checks and money orders are issued from a
14 location within this State.

15 (viii) For tax years ending before December 31,
16 2024, receipts from investment assets and activities
17 and trading assets and activities are included in the
18 receipts factor as follows:

19 (1) Interest, dividends, net gains (but not
20 less than zero) and other income from investment
21 assets and activities from trading assets and
22 activities shall be included in the receipts
23 factor. Investment assets and activities and
24 trading assets and activities include, but are not
25 limited to: investment securities; trading account
26 assets; federal funds; securities purchased and

1 sold under agreements to resell or repurchase;
2 options; futures contracts; forward contracts;
3 notional principal contracts such as swaps;
4 equities; and foreign currency transactions. With
5 respect to the investment and trading assets and
6 activities described in subparagraphs (A) and (B)
7 of this paragraph, the receipts factor shall
8 include the amounts described in such
9 subparagraphs.

10 (A) The receipts factor shall include the
11 amount by which interest from federal funds
12 sold and securities purchased under resale
13 agreements exceeds interest expense on federal
14 funds purchased and securities sold under
15 repurchase agreements.

16 (B) The receipts factor shall include the
17 amount by which interest, dividends, gains and
18 other income from trading assets and
19 activities, including, but not limited to,
20 assets and activities in the matched book, in
21 the arbitrage book, and foreign currency
22 transactions, exceed amounts paid in lieu of
23 interest, amounts paid in lieu of dividends,
24 and losses from such assets and activities.

25 (2) The numerator of the receipts factor
26 includes interest, dividends, net gains (but not

1 less than zero), and other income from investment
2 assets and activities and from trading assets and
3 activities described in paragraph (1) of this
4 subsection that are attributable to this State.

5 (A) The amount of interest, dividends, net
6 gains (but not less than zero), and other
7 income from investment assets and activities
8 in the investment account to be attributed to
9 this State and included in the numerator is
10 determined by multiplying all such income from
11 such assets and activities by a fraction, the
12 numerator of which is the gross income from
13 such assets and activities which are properly
14 assigned to a fixed place of business of the
15 taxpayer within this State and the denominator
16 of which is the gross income from all such
17 assets and activities.

18 (B) The amount of interest from federal
19 funds sold and purchased and from securities
20 purchased under resale agreements and
21 securities sold under repurchase agreements
22 attributable to this State and included in the
23 numerator is determined by multiplying the
24 amount described in subparagraph (A) of
25 paragraph (1) of this subsection from such
26 funds and such securities by a fraction, the

1 numerator of which is the gross income from
2 such funds and such securities which are
3 properly assigned to a fixed place of business
4 of the taxpayer within this State and the
5 denominator of which is the gross income from
6 all such funds and such securities.

7 (C) The amount of interest, dividends,
8 gains, and other income from trading assets
9 and activities, including, but not limited to,
10 assets and activities in the matched book, in
11 the arbitrage book and foreign currency
12 transactions (but excluding amounts described
13 in subparagraphs (A) or (B) of this
14 paragraph), attributable to this State and
15 included in the numerator is determined by
16 multiplying the amount described in
17 subparagraph (B) of paragraph (1) of this
18 subsection by a fraction, the numerator of
19 which is the gross income from such trading
20 assets and activities which are properly
21 assigned to a fixed place of business of the
22 taxpayer within this State and the denominator
23 of which is the gross income from all such
24 assets and activities.

25 (D) Properly assigned, for purposes of
26 this paragraph (2) of this subsection, means

1 the investment or trading asset or activity is
2 assigned to the fixed place of business with
3 which it has a preponderance of substantive
4 contacts. An investment or trading asset or
5 activity assigned by the taxpayer to a fixed
6 place of business without the State shall be
7 presumed to have been properly assigned if:

8 (i) the taxpayer has assigned, in the
9 regular course of its business, such asset
10 or activity on its records to a fixed
11 place of business consistent with federal
12 or state regulatory requirements;

13 (ii) such assignment on its records is
14 based upon substantive contacts of the
15 asset or activity to such fixed place of
16 business; and

17 (iii) the taxpayer uses such records
18 reflecting assignment of such assets or
19 activities for the filing of all state and
20 local tax returns for which an assignment
21 of such assets or activities to a fixed
22 place of business is required.

23 (E) The presumption of proper assignment
24 of an investment or trading asset or activity
25 provided in subparagraph (D) of paragraph (2)
26 of this subsection may be rebutted upon a

1 showing by the Department, supported by a
2 preponderance of the evidence, that the
3 preponderance of substantive contacts
4 regarding such asset or activity did not occur
5 at the fixed place of business to which it was
6 assigned on the taxpayer's records. If the
7 fixed place of business that has a
8 preponderance of substantive contacts cannot
9 be determined for an investment or trading
10 asset or activity to which the presumption in
11 subparagraph (D) of paragraph (2) of this
12 subsection does not apply or with respect to
13 which that presumption has been rebutted, that
14 asset or activity is properly assigned to the
15 state in which the taxpayer's commercial
16 domicile is located. For purposes of this
17 subparagraph (E), it shall be presumed,
18 subject to rebuttal, that taxpayer's
19 commercial domicile is in the state of the
20 United States or the District of Columbia to
21 which the greatest number of employees are
22 regularly connected with the management of the
23 investment or trading income or out of which
24 they are working, irrespective of where the
25 services of such employees are performed, as
26 of the last day of the taxable year.

1 (ix) For tax years ending on or after December 31,
2 2024, receipts from investment assets and activities
3 and trading assets and activities are included in the
4 receipts factor as follows:

5 (1) Interest, dividends, net gains (but not
6 less than zero), and other income from investment
7 assets and activities from trading assets and
8 activities shall be included in the receipts
9 factor. Investment assets and activities and
10 trading assets and activities include, but are not
11 limited to the following: investment securities;
12 trading account assets; federal funds; securities
13 purchased and sold under agreements to resell or
14 repurchase; options; futures contracts; forward
15 contracts; notional principal contracts, such as
16 swaps; equities; and foreign currency
17 transactions. With respect to the investment and
18 trading assets and activities described in
19 subparagraphs (A) and (B) of this paragraph, the
20 receipts factor shall include the amounts
21 described in those subparagraphs.

22 (A) The receipts factor shall include the
23 amount by which interest from federal funds
24 sold and securities purchased under resale
25 agreements exceeds interest expense on federal
26 funds purchased and securities sold under

1 repurchase agreements.

2 (B) The receipts factor shall include the
3 amount by which interest, dividends, gains and
4 other income from trading assets and
5 activities, including, but not limited to,
6 assets and activities in the matched book, in
7 the arbitrage book, and foreign currency
8 transactions, exceed amounts paid in lieu of
9 interest, amounts paid in lieu of dividends,
10 and losses from such assets and activities.

11 (2) The numerator of the receipts factor
12 includes interest, dividends, net gains (but not
13 less than zero), and other income from investment
14 assets and activities and from trading assets and
15 activities described in paragraph (1) of this
16 subsection that are attributable to this State.

17 (A) The amount of interest, dividends, net
18 gains (but not less than zero), and other
19 income from investment assets and activities
20 in the investment account to be attributed to
21 this State and included in the numerator is
22 determined by multiplying all of the income
23 from those assets and activities by a
24 fraction, the numerator of which is the total
25 receipts included in the numerator pursuant to
26 items (i) through (vii) of this subparagraph

1 (3) and the denominator of which is all total
2 receipts included in the denominator, other
3 than interest, dividends, net gains (but not
4 less than zero), and other income from
5 investment assets and activities and trading
6 assets and activities.

7 (B) The amount of interest from federal
8 funds sold and purchased and from securities
9 purchased under resale agreements and
10 securities sold under repurchase agreements
11 attributable to this State and included in the
12 numerator is determined by multiplying the
13 amount described in subparagraph (A) of
14 paragraph (1) of this subsection from such
15 funds and such securities by a fraction, the
16 numerator of which is the total receipts
17 included in the numerator pursuant to items
18 (i) through (vii) of this subparagraph (3) and
19 the denominator of which is all total receipts
20 included in the denominator, other than
21 interest, dividends, net gains (but not less
22 than zero), and other income from investment
23 assets and activities and trading assets and
24 activities.

25 (C) The amount of interest, dividends,
26 gains, and other income from trading assets

1 and activities, including, but not limited to,
2 assets and activities in the matched book, in
3 the arbitrage book and foreign currency
4 transactions (but excluding amounts described
5 in subparagraphs (A) or (B) of this
6 paragraph), attributable to this State and
7 included in the numerator is determined by
8 multiplying the amount described in
9 subparagraph (B) of paragraph (1) of this
10 subsection by a fraction, the numerator of
11 which is the total receipts included in the
12 numerator pursuant to items (i) through (vii)
13 of this subparagraph (3) and the denominator
14 of which is all total receipts included in the
15 denominator, other than interest, dividends,
16 net gains (but not less than zero), and other
17 income from investment assets and activities
18 and trading assets and activities.

19 (4) (Blank).

20 (5) (Blank).

21 (c-1) Federally regulated exchanges. For taxable years
22 ending on or after December 31, 2012, business income of a
23 federally regulated exchange shall, at the option of the
24 federally regulated exchange, be apportioned to this State by
25 multiplying such income by a fraction, the numerator of which
26 is its business income from sources within this State, and the

1 denominator of which is its business income from all sources.
2 For purposes of this subsection, the business income within
3 this State of a federally regulated exchange is the sum of the
4 following:

5 (1) Receipts attributable to transactions executed on
6 a physical trading floor if that physical trading floor is
7 located in this State.

8 (2) Receipts attributable to all other matching,
9 execution, or clearing transactions, including without
10 limitation receipts from the provision of matching,
11 execution, or clearing services to another entity,
12 multiplied by (i) for taxable years ending on or after
13 December 31, 2012 but before December 31, 2013, 63.77%;
14 and (ii) for taxable years ending on or after December 31,
15 2013, 27.54%.

16 (3) All other receipts not governed by subparagraphs
17 (1) or (2) of this subsection (c-1), to the extent the
18 receipts would be characterized as "sales in this State"
19 under item (3) of subsection (a) of this Section.

20 "Federally regulated exchange" means (i) a "registered
21 entity" within the meaning of 7 U.S.C. Section 1a(40) (A), (B),
22 or (C), (ii) an "exchange" or "clearing agency" within the
23 meaning of 15 U.S.C. Section 78c (a) (1) or (23), (iii) any such
24 entities regulated under any successor regulatory structure to
25 the foregoing, and (iv) all taxpayers who are members of the
26 same unitary business group as a federally regulated exchange,

1 determined without regard to the prohibition in Section
2 1501(a)(27) of this Act against including in a unitary
3 business group taxpayers who are ordinarily required to
4 apportion business income under different subsections of this
5 Section; provided that this subparagraph (iv) shall apply only
6 if 50% or more of the business receipts of the unitary business
7 group determined by application of this subparagraph (iv) for
8 the taxable year are attributable to the matching, execution,
9 or clearing of transactions conducted by an entity described
10 in subparagraph (i), (ii), or (iii) of this paragraph.

11 In no event shall the Illinois apportionment percentage
12 computed in accordance with this subsection (c-1) for any
13 taxpayer for any tax year be less than the Illinois
14 apportionment percentage computed under this subsection (c-1)
15 for that taxpayer for the first full tax year ending on or
16 after December 31, 2013 for which this subsection (c-1)
17 applied to the taxpayer.

18 (d) Transportation services. For taxable years ending
19 before December 31, 2008, business income derived from
20 furnishing transportation services shall be apportioned to
21 this State in accordance with paragraphs (1) and (2):

22 (1) Such business income (other than that derived from
23 transportation by pipeline) shall be apportioned to this
24 State by multiplying such income by a fraction, the
25 numerator of which is the revenue miles of the person in
26 this State, and the denominator of which is the revenue

1 miles of the person everywhere. For purposes of this
2 paragraph, a revenue mile is the transportation of 1
3 passenger or 1 net ton of freight the distance of 1 mile
4 for a consideration. Where a person is engaged in the
5 transportation of both passengers and freight, the
6 fraction above referred to shall be determined by means of
7 an average of the passenger revenue mile fraction and the
8 freight revenue mile fraction, weighted to reflect the
9 person's

10 (A) relative railway operating income from total
11 passenger and total freight service, as reported to
12 the Interstate Commerce Commission, in the case of
13 transportation by railroad, and

14 (B) relative gross receipts from passenger and
15 freight transportation, in case of transportation
16 other than by railroad.

17 (2) Such business income derived from transportation
18 by pipeline shall be apportioned to this State by
19 multiplying such income by a fraction, the numerator of
20 which is the revenue miles of the person in this State, and
21 the denominator of which is the revenue miles of the
22 person everywhere. For the purposes of this paragraph, a
23 revenue mile is the transportation by pipeline of 1 barrel
24 of oil, 1,000 cubic feet of gas, or of any specified
25 quantity of any other substance, the distance of 1 mile
26 for a consideration.

1 (3) For taxable years ending on or after December 31,
2 2008, business income derived from providing
3 transportation services other than airline services shall
4 be apportioned to this State by using a fraction, (a) the
5 numerator of which shall be (i) all receipts from any
6 movement or shipment of people, goods, mail, oil, gas, or
7 any other substance (other than by airline) that both
8 originates and terminates in this State, plus (ii) that
9 portion of the person's gross receipts from movements or
10 shipments of people, goods, mail, oil, gas, or any other
11 substance (other than by airline) that originates in one
12 state or jurisdiction and terminates in another state or
13 jurisdiction, that is determined by the ratio that the
14 miles traveled in this State bears to total miles
15 everywhere and (b) the denominator of which shall be all
16 revenue derived from the movement or shipment of people,
17 goods, mail, oil, gas, or any other substance (other than
18 by airline). Where a taxpayer is engaged in the
19 transportation of both passengers and freight, the
20 fraction above referred to shall first be determined
21 separately for passenger miles and freight miles. Then an
22 average of the passenger miles fraction and the freight
23 miles fraction shall be weighted to reflect the
24 taxpayer's:

25 (A) relative railway operating income from total
26 passenger and total freight service, as reported to

1 the Surface Transportation Board, in the case of
2 transportation by railroad; and

3 (B) relative gross receipts from passenger and
4 freight transportation, in case of transportation
5 other than by railroad.

6 (4) For taxable years ending on or after December 31,
7 2008, business income derived from furnishing airline
8 transportation services shall be apportioned to this State
9 by multiplying such income by a fraction, the numerator of
10 which is the revenue miles of the person in this State, and
11 the denominator of which is the revenue miles of the
12 person everywhere. For purposes of this paragraph, a
13 revenue mile is the transportation of one passenger or one
14 net ton of freight the distance of one mile for a
15 consideration. If a person is engaged in the
16 transportation of both passengers and freight, the
17 fraction above referred to shall be determined by means of
18 an average of the passenger revenue mile fraction and the
19 freight revenue mile fraction, weighted to reflect the
20 person's relative gross receipts from passenger and
21 freight airline transportation.

22 (e) Combined apportionment. Where 2 or more persons are
23 engaged in a unitary business as described in subsection
24 (a) (27) of Section 1501, a part of which is conducted in this
25 State by one or more members of the group, the business income
26 attributable to this State by any such member or members shall

1 be apportioned by means of the combined apportionment method.
2 For purposes of applying this Section, for tax years ending on
3 or after December 31, 2025, sales of each member of the unitary
4 business group, as defined in paragraph (27) of subsection (a)
5 of Section 1501, who is not a taxpayer, as defined in paragraph
6 (24) of subsection (a) Section 1501, shall be determined based
7 upon the apportionment rules applicable to the member and
8 shall be aggregated. Each taxpayer member of the unitary
9 business group shall include in its sales factor numerator a
10 portion of the aggregate Illinois sales of non-taxpayer
11 members based on a ratio, the numerator of which is that
12 taxpayer member's Illinois sales taking into account its
13 applicable sales factor provisions, and the denominator of
14 which is the aggregate Illinois sales of all the taxpayer
15 members of the group taking into account their respective
16 sales factor provisions. In addition, if inclusion of sales in
17 the sales factor or numerator of the sales factor depends on
18 whether a taxpayer is considered taxable in another state
19 within the meaning of subsection (f) of Section 303, that
20 taxpayer shall be considered taxable in any state in which any
21 member of its unitary business group is considered taxable
22 under subsection (f) of Section 303.

23 (f) Alternative allocation. If the allocation and
24 apportionment provisions of subsections (a) through (e) and of
25 subsection (h) do not, for taxable years ending before
26 December 31, 2008, fairly represent the extent of a person's

1 business activity in this State, or, for taxable years ending
2 on or after December 31, 2008, fairly represent the market for
3 the person's goods, services, or other sources of business
4 income, the person may petition for, or the Director may,
5 without a petition, permit or require, in respect of all or any
6 part of the person's business activity, if reasonable:

7 (1) Separate accounting;

8 (2) The exclusion of any one or more factors;

9 (3) The inclusion of one or more additional factors
10 which will fairly represent the person's business
11 activities or market in this State; or

12 (4) The employment of any other method to effectuate
13 an equitable allocation and apportionment of the person's
14 business income.

15 (g) Cross-reference. For allocation of business income by
16 residents, see Section 301(a).

17 (h) For tax years ending on or after December 31, 1998, the
18 apportionment factor of persons who apportion their business
19 income to this State under subsection (a) shall be equal to:

20 (1) for tax years ending on or after December 31, 1998
21 and before December 31, 1999, 16 2/3% of the property
22 factor plus 16 2/3% of the payroll factor plus 66 2/3% of
23 the sales factor;

24 (2) for tax years ending on or after December 31, 1999
25 and before December 31, 2000, 8 1/3% of the property
26 factor plus 8 1/3% of the payroll factor plus 83 1/3% of

1 the sales factor;

2 (3) for tax years ending on or after December 31,
3 2000, the sales factor.

4 If, in any tax year ending on or after December 31, 1998 and
5 before December 31, 2000, the denominator of the payroll,
6 property, or sales factor is zero, the apportionment factor
7 computed in paragraph (1) or (2) of this subsection for that
8 year shall be divided by an amount equal to 100% minus the
9 percentage weight given to each factor whose denominator is
10 equal to zero.

11 (Source: P.A. 103-592, eff. 6-7-24; 104-6, Article 30, Section
12 30-5, eff. 6-16-25; 104-6, Article 35, Section 35-15, eff.
13 6-16-25; 104-417, eff. 8-15-25; revised 9-10-25.)

14 (35 ILCS 5/1009 new)

15 Sec. 1009. Joint and several liability of members of a
16 combined group. The members of a combined group treated as one
17 taxpayer under the provisions of subsection (e) of Section 502
18 shall be jointly and severally liable for the combined tax,
19 penalty, and interest computed in accordance with this Act. No
20 agreement entered into by one or more members of a combined
21 group with any other member of that group or with any other
22 person shall, in any case, have the effect of reducing that
23 liability.

24 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

1 Sec. 1501. Definitions.

2 (a) In general. When used in this Act, where not otherwise
3 distinctly expressed or manifestly incompatible with the
4 intent thereof:

5 (1) Business income. The term "business income" means
6 all income that may be treated as apportionable business
7 income under the Constitution of the United States.
8 Business income is net of the deductions allocable
9 thereto. Such term does not include compensation or the
10 deductions allocable thereto. For each taxable year
11 beginning on or after January 1, 2003, a taxpayer may
12 elect to treat all income other than compensation as
13 business income. This election shall be made in accordance
14 with rules adopted by the Department and, once made, shall
15 be irrevocable.

16 (1.5) Captive real estate investment trust:

17 (A) The term "captive real estate investment
18 trust" means a corporation, trust, or association:

19 (i) that is considered a real estate
20 investment trust for the taxable year under
21 Section 856 of the Internal Revenue Code;

22 (ii) the certificates of beneficial interest
23 or shares of which are not regularly traded on an
24 established securities market; and

25 (iii) of which more than 50% of the voting
26 power or value of the beneficial interest or

1 shares, at any time during the last half of the
2 taxable year, is owned or controlled, directly,
3 indirectly, or constructively, by a single
4 corporation.

5 (B) The term "captive real estate investment
6 trust" does not include:

7 (i) a real estate investment trust of which
8 more than 50% of the voting power or value of the
9 beneficial interest or shares is owned or
10 controlled, directly, indirectly, or
11 constructively, by:

12 (a) a real estate investment trust, other
13 than a captive real estate investment trust;

14 (b) a person who is exempt from taxation
15 under Section 501 of the Internal Revenue
16 Code, and who is not required to treat income
17 received from the real estate investment trust
18 as unrelated business taxable income under
19 Section 512 of the Internal Revenue Code;

20 (c) a listed Australian property trust, if
21 no more than 50% of the voting power or value
22 of the beneficial interest or shares of that
23 trust, at any time during the last half of the
24 taxable year, is owned or controlled, directly
25 or indirectly, by a single person;

26 (d) an entity organized as a trust,

1 provided a listed Australian property trust
2 described in subparagraph (c) owns or
3 controls, directly or indirectly, or
4 constructively, 75% or more of the voting
5 power or value of the beneficial interests or
6 shares of such entity; or

7 (e) an entity that is organized outside of
8 the laws of the United States and that
9 satisfies all of the following criteria:

10 (1) at least 75% of the entity's total
11 asset value at the close of its taxable
12 year is represented by real estate assets
13 (as defined in Section 856(c)(5)(B) of the
14 Internal Revenue Code, thereby including
15 shares or certificates of beneficial
16 interest in any real estate investment
17 trust), cash and cash equivalents, and
18 U.S. Government securities;

19 (2) the entity is not subject to tax
20 on amounts that are distributed to its
21 beneficial owners or is exempt from
22 entity-level taxation;

23 (3) the entity distributes at least
24 85% of its taxable income (as computed in
25 the jurisdiction in which it is organized)
26 to the holders of its shares or

1 certificates of beneficial interest on an
2 annual basis;

3 (4) either (i) the shares or
4 beneficial interests of the entity are
5 regularly traded on an established
6 securities market or (ii) not more than
7 10% of the voting power or value in the
8 entity is held, directly, indirectly, or
9 constructively, by a single entity or
10 individual; and

11 (5) the entity is organized in a
12 country that has entered into a tax treaty
13 with the United States; or

14 (ii) during its first taxable year for which
15 it elects to be treated as a real estate
16 investment trust under Section 856(c)(1) of the
17 Internal Revenue Code, a real estate investment
18 trust the certificates of beneficial interest or
19 shares of which are not regularly traded on an
20 established securities market, but only if the
21 certificates of beneficial interest or shares of
22 the real estate investment trust are regularly
23 traded on an established securities market prior
24 to the earlier of the due date (including
25 extensions) for filing its return under this Act
26 for that first taxable year or the date it

1 actually files that return.

2 (C) For the purposes of this subsection (1.5), the
3 constructive ownership rules prescribed under Section
4 318(a) of the Internal Revenue Code, as modified by
5 Section 856(d)(5) of the Internal Revenue Code, apply
6 in determining the ownership of stock, assets, or net
7 profits of any person.

8 (D) For the purposes of this item (1.5), for
9 taxable years ending on or after August 16, 2007, the
10 voting power or value of the beneficial interest or
11 shares of a real estate investment trust does not
12 include any voting power or value of beneficial
13 interest or shares in a real estate investment trust
14 held directly or indirectly in a segregated asset
15 account by a life insurance company (as described in
16 Section 817 of the Internal Revenue Code) to the
17 extent such voting power or value is for the benefit of
18 entities or persons who are either immune from
19 taxation or exempt from taxation under subtitle A of
20 the Internal Revenue Code.

21 (2) Commercial domicile. The term "commercial
22 domicile" means the principal place from which the trade
23 or business of the taxpayer is directed or managed.

24 (3) Compensation. The term "compensation" means wages,
25 salaries, commissions and any other form of remuneration
26 paid to employees for personal services.

1 (4) Corporation. The term "corporation" includes
2 associations, joint-stock companies, insurance companies
3 and cooperatives. Any entity, including a limited
4 liability company formed under the Illinois Limited
5 Liability Company Act, shall be treated as a corporation
6 if it is so classified for federal income tax purposes.

7 (5) Department. The term "Department" means the
8 Department of Revenue of this State.

9 (6) Director. The term "Director" means the Director
10 of Revenue of this State.

11 (7) Fiduciary. The term "fiduciary" means a guardian,
12 trustee, executor, administrator, receiver, or any person
13 acting in any fiduciary capacity for any person.

14 (8) Financial organization.

15 (A) The term "financial organization" means any
16 bank, bank holding company, trust company, savings
17 bank, industrial bank, land bank, safe deposit
18 company, private banker, savings and loan association,
19 building and loan association, credit union, currency
20 exchange, cooperative bank, small loan company, sales
21 finance company, investment company, or any person
22 which is owned by a bank or bank holding company. For
23 the purpose of this Section a "person" will include
24 only those persons which a bank holding company may
25 acquire and hold an interest in, directly or
26 indirectly, under the provisions of the Bank Holding

1 Company Act of 1956 (12 U.S.C. 1841, et seq.), except
2 where interests in any person must be disposed of
3 within certain required time limits under the Bank
4 Holding Company Act of 1956.

5 (B) For purposes of subparagraph (A) of this
6 paragraph, the term "bank" includes (i) any entity
7 that is regulated by the Comptroller of the Currency
8 under the National Bank Act, or by the Federal Reserve
9 Board, or by the Federal Deposit Insurance Corporation
10 and (ii) any federally or State chartered bank
11 operating as a credit card bank.

12 (C) For purposes of subparagraph (A) of this
13 paragraph, the term "sales finance company" has the
14 meaning provided in the following item (i) or (ii):

15 (i) A person primarily engaged in one or more
16 of the following businesses: the business of
17 purchasing customer receivables, the business of
18 making loans upon the security of customer
19 receivables, the business of making loans for the
20 express purpose of funding purchases of tangible
21 personal property or services by the borrower, or
22 the business of finance leasing. For purposes of
23 this item (i), "customer receivable" means:

24 (a) a retail installment contract or
25 retail charge agreement within the meaning of
26 the Sales Finance Agency Act, the Retail

1 Installment Sales Act, or the Motor Vehicle
2 Retail Installment Sales Act;

3 (b) an installment, charge, credit, or
4 similar contract or agreement arising from the
5 sale of tangible personal property or services
6 in a transaction involving a deferred payment
7 price payable in one or more installments
8 subsequent to the sale; or

9 (c) the outstanding balance of a contract
10 or agreement described in provisions (a) or
11 (b) of this item (i).

12 A customer receivable need not provide for
13 payment of interest on deferred payments. A sales
14 finance company may purchase a customer receivable
15 from, or make a loan secured by a customer
16 receivable to, the seller in the original
17 transaction or to a person who purchased the
18 customer receivable directly or indirectly from
19 that seller.

20 (ii) A corporation meeting each of the
21 following criteria:

22 (a) the corporation must be a member of an
23 "affiliated group" within the meaning of
24 Section 1504(a) of the Internal Revenue Code,
25 determined without regard to Section 1504(b)
26 of the Internal Revenue Code;

1 (b) more than 50% of the gross income of
2 the corporation for the taxable year must be
3 interest income derived from qualifying loans.
4 A "qualifying loan" is a loan made to a member
5 of the corporation's affiliated group that
6 originates customer receivables (within the
7 meaning of item (i)) or to whom customer
8 receivables originated by a member of the
9 affiliated group have been transferred, to the
10 extent the average outstanding balance of
11 loans from that corporation to members of its
12 affiliated group during the taxable year do
13 not exceed the limitation amount for that
14 corporation. The "limitation amount" for a
15 corporation is the average outstanding
16 balances during the taxable year of customer
17 receivables (within the meaning of item (i))
18 originated by all members of the affiliated
19 group. If the average outstanding balances of
20 the loans made by a corporation to members of
21 its affiliated group exceed the limitation
22 amount, the interest income of that
23 corporation from qualifying loans shall be
24 equal to its interest income from loans to
25 members of its affiliated groups times a
26 fraction equal to the limitation amount

1 divided by the average outstanding balances of
2 the loans made by that corporation to members
3 of its affiliated group;

4 (c) the total of all shareholder's equity
5 (including, without limitation, paid-in
6 capital on common and preferred stock and
7 retained earnings) of the corporation plus the
8 total of all of its loans, advances, and other
9 obligations payable or owed to members of its
10 affiliated group may not exceed 20% of the
11 total assets of the corporation at any time
12 during the tax year; and

13 (d) more than 50% of all interest-bearing
14 obligations of the affiliated group payable to
15 persons outside the group determined in
16 accordance with generally accepted accounting
17 principles must be obligations of the
18 corporation.

19 This amendatory Act of the 91st General Assembly
20 is declaratory of existing law.

21 (D) Subparagraphs (B) and (C) of this paragraph
22 are declaratory of existing law and apply
23 retroactively, for all tax years beginning on or
24 before December 31, 1996, to all original returns, to
25 all amended returns filed no later than 30 days after
26 the effective date of this amendatory Act of 1996, and

1 to all notices issued on or before the effective date
2 of this amendatory Act of 1996 under subsection (a) of
3 Section 903, subsection (a) of Section 904, subsection
4 (e) of Section 909, or Section 912. A taxpayer that is
5 a "financial organization" that engages in any
6 transaction with an affiliate shall be a "financial
7 organization" for all purposes of this Act.

8 (E) For all tax years beginning on or before
9 December 31, 1996, a taxpayer that falls within the
10 definition of a "financial organization" under
11 subparagraphs (B) or (C) of this paragraph, but who
12 does not fall within the definition of a "financial
13 organization" under the Proposed Regulations issued by
14 the Department of Revenue on July 19, 1996, may
15 irrevocably elect to apply the Proposed Regulations
16 for all of those years as though the Proposed
17 Regulations had been lawfully promulgated, adopted,
18 and in effect for all of those years. For purposes of
19 applying subparagraphs (B) or (C) of this paragraph to
20 all of those years, the election allowed by this
21 subparagraph applies only to the taxpayer making the
22 election and to those members of the taxpayer's
23 unitary business group who are ordinarily required to
24 apportion business income under the same subsection of
25 Section 304 of this Act as the taxpayer making the
26 election. No election allowed by this subparagraph

1 shall be made under a claim filed under subsection (d)
2 of Section 909 more than 30 days after the effective
3 date of this amendatory Act of 1996.

4 (F) Finance Leases. For purposes of this
5 subsection, a finance lease shall be treated as a loan
6 or other extension of credit, rather than as a lease,
7 regardless of how the transaction is characterized for
8 any other purpose, including the purposes of any
9 regulatory agency to which the lessor is subject. A
10 finance lease is any transaction in the form of a lease
11 in which the lessee is treated as the owner of the
12 leased asset entitled to any deduction for
13 depreciation allowed under Section 167 of the Internal
14 Revenue Code.

15 (9) Fiscal year. The term "fiscal year" means an
16 accounting period of 12 months ending on the last day of
17 any month other than December.

18 (9.5) Fixed place of business. The term "fixed place
19 of business" has the same meaning as that term is given in
20 Section 864 of the Internal Revenue Code and the related
21 Treasury regulations.

22 (10) Includes and including. The terms "includes" and
23 "including" when used in a definition contained in this
24 Act shall not be deemed to exclude other things otherwise
25 within the meaning of the term defined.

26 (11) Internal Revenue Code. The term "Internal Revenue

1 Code" means the United States Internal Revenue Code of
2 1954 or any successor law or laws relating to federal
3 income taxes in effect for the taxable year.

4 (11.5) Investment partnership.

5 (A) For tax years ending before December 31, 2023,
6 the term "investment partnership" means any entity
7 that is treated as a partnership for federal income
8 tax purposes that meets the following requirements:

9 (i) no less than 90% of the partnership's cost
10 of its total assets consists of qualifying
11 investment securities, deposits at banks or other
12 financial institutions, and office space and
13 equipment reasonably necessary to carry on its
14 activities as an investment partnership;

15 (ii) no less than 90% of its gross income
16 consists of interest, dividends, and gains from
17 the sale or exchange of qualifying investment
18 securities; and

19 (iii) the partnership is not a dealer in
20 qualifying investment securities.

21 (A-5) For tax years ending on or after December
22 31, 2023, the term "investment partnership" means any
23 entity that is treated as a partnership for federal
24 income tax purposes that meets the following
25 requirements:

26 (i) no less than 90% of the partnership's cost

1 of its total assets consists of qualifying
2 investment securities, deposits at banks or other
3 financial institutions, and office space and
4 equipment reasonably necessary to carry on its
5 activities as an investment partnership; and

6 (ii) no less than 90% of its gross income
7 consists of interest, dividends, gains from the
8 sale or exchange of qualifying investment
9 securities, and the distributive share of
10 partnership income from lower-tier partnership
11 interests meeting the definition of qualifying
12 investment security under subparagraph (B)(xiii);
13 for the purposes of this subparagraph (ii), "gross
14 income" does not include income from partnerships
15 that are operating at a federal taxable loss.

16 (B) For purposes of this paragraph (11.5), the
17 term "qualifying investment securities" (other than,
18 for tax years ending on or after December 31, 2023,
19 securities with respect to which the taxpayer is
20 required to apply the rules of Internal Revenue Code
21 Section 475(a)) includes all of the following:

22 (i) common stock, including preferred or debt
23 securities convertible into common stock, and
24 preferred stock;

25 (ii) bonds, debentures, and other debt
26 securities;

1 (iii) foreign and domestic currency deposits
2 secured by federal, state, or local governmental
3 agencies;

4 (iv) mortgage or asset-backed securities
5 secured by federal, state, or local governmental
6 agencies;

7 (v) repurchase agreements and loan
8 participations;

9 (vi) foreign currency exchange contracts and
10 forward and futures contracts on foreign
11 currencies;

12 (vii) stock and bond index securities and
13 futures contracts and other similar financial
14 securities and futures contracts on those
15 securities;

16 (viii) options for the purchase or sale of any
17 of the securities, currencies, contracts, or
18 financial instruments described in items (i) to
19 (vii), inclusive;

20 (ix) regulated futures contracts;

21 (x) commodities (not described in Section
22 1221(a)(1) of the Internal Revenue Code) or
23 futures, forwards, and options with respect to
24 such commodities, provided, however, that any item
25 of a physical commodity to which title is actually
26 acquired in the partnership's capacity as a dealer

1 in such commodity shall not be a qualifying
2 investment security;

3 (xi) derivatives;

4 (xii) a partnership interest in another
5 partnership that is an investment partnership; and

6 (xiii) for tax years ending on or after
7 December 31, 2023, a partnership interest that, in
8 the hands of the partnership, qualifies as a
9 security within the meaning of subsection (a)(1)
10 of Subchapter 77b of Chapter 2A of Title 15 of the
11 United States Code.

12 (12) Mathematical error. The term "mathematical error"
13 includes the following types of errors, omissions, or
14 defects in a return filed by a taxpayer which prevents
15 acceptance of the return as filed for processing:

16 (A) arithmetic errors or incorrect computations on
17 the return or supporting schedules;

18 (B) entries on the wrong lines;

19 (C) omission of required supporting forms or
20 schedules or the omission of the information in whole
21 or in part called for thereon; and

22 (D) an attempt to claim, exclude, deduct, or
23 improperly report, in a manner directly contrary to
24 the provisions of the Act and regulations thereunder
25 any item of income, exemption, deduction, or credit.

26 (13) Nonbusiness income. The term "nonbusiness income"

1 means all income other than business income or
2 compensation.

3 (14) Nonresident. The term "nonresident" means a
4 person who is not a resident.

5 (15) Paid, incurred and accrued. The terms "paid",
6 "incurred" and "accrued" shall be construed according to
7 the method of accounting upon the basis of which the
8 person's base income is computed under this Act.

9 (16) Partnership and partner. The term "partnership"
10 includes a syndicate, group, pool, joint venture or other
11 unincorporated organization, through or by means of which
12 any business, financial operation, or venture is carried
13 on, and which is not, within the meaning of this Act, a
14 trust or estate or a corporation; and the term "partner"
15 includes a member in such syndicate, group, pool, joint
16 venture or organization.

17 The term "partnership" includes any entity, including
18 a limited liability company formed under the Illinois
19 Limited Liability Company Act, classified as a partnership
20 for federal income tax purposes.

21 The term "partnership" does not include a syndicate,
22 group, pool, joint venture, or other unincorporated
23 organization established for the sole purpose of playing
24 the Illinois State Lottery.

25 (17) Part-year resident. The term "part-year resident"
26 means an individual who became a resident during the

1 taxable year or ceased to be a resident during the taxable
2 year. Under Section 1501(a)(20)(A)(i) residence commences
3 with presence in this State for other than a temporary or
4 transitory purpose and ceases with absence from this State
5 for other than a temporary or transitory purpose. Under
6 Section 1501(a)(20)(A)(ii) residence commences with the
7 establishment of domicile in this State and ceases with
8 the establishment of domicile in another State.

9 (18) Person. The term "person" shall be construed to
10 mean and include an individual, a trust, estate,
11 partnership, association, firm, company, corporation,
12 limited liability company, or fiduciary. For purposes of
13 Section 1301 and 1302 of this Act, a "person" means (i) an
14 individual, (ii) a corporation, (iii) an officer, agent,
15 or employee of a corporation, (iv) a member, agent or
16 employee of a partnership, or (v) a member, manager,
17 employee, officer, director, or agent of a limited
18 liability company who in such capacity commits an offense
19 specified in Section 1301 and 1302.

20 (18A) Records. The term "records" includes all data
21 maintained by the taxpayer, whether on paper, microfilm,
22 microfiche, or any type of machine-sensible data
23 compilation.

24 (19) Regulations. The term "regulations" includes
25 rules promulgated and forms prescribed by the Department.

26 (20) Resident. The term "resident" means:

1 (A) an individual (i) who is in this State for
2 other than a temporary or transitory purpose during
3 the taxable year; or (ii) who is domiciled in this
4 State but is absent from the State for a temporary or
5 transitory purpose during the taxable year;

6 (B) the estate of a decedent who at his or her
7 death was domiciled in this State;

8 (C) a trust created by a will of a decedent who at
9 his death was domiciled in this State; and

10 (D) an irrevocable trust, the grantor of which was
11 domiciled in this State at the time such trust became
12 irrevocable. For purpose of this subparagraph, a trust
13 shall be considered irrevocable to the extent that the
14 grantor is not treated as the owner thereof under
15 Sections 671 through 678 of the Internal Revenue Code.

16 (21) Sales. The term "sales" means all gross receipts
17 of the taxpayer not allocated under Sections 301, 302 and
18 303.

19 (22) State. The term "state" when applied to a
20 jurisdiction other than this State means any state of the
21 United States, the District of Columbia, the Commonwealth
22 of Puerto Rico, any Territory or Possession of the United
23 States, and any foreign country, or any political
24 subdivision of any of the foregoing. For purposes of the
25 foreign tax credit under Section 601, the term "state"
26 means any state of the United States, the District of

1 Columbia, the Commonwealth of Puerto Rico, and any
2 territory or possession of the United States, or any
3 political subdivision of any of the foregoing, effective
4 for tax years ending on or after December 31, 1989.

5 (23) Taxable year. The term "taxable year" means the
6 calendar year, or the fiscal year ending during such
7 calendar year, upon the basis of which the base income is
8 computed under this Act. "Taxable year" means, in the case
9 of a return made for a fractional part of a year under the
10 provisions of this Act, the period for which such return
11 is made.

12 (24) Taxpayer. The term "taxpayer" means any person
13 subject to the tax imposed by this Act.

14 (25) International banking facility. The term
15 international banking facility shall have the same meaning
16 as is set forth in the Illinois Banking Act or as is set
17 forth in the laws of the United States or regulations of
18 the Board of Governors of the Federal Reserve System.

19 (26) Income Tax Return Preparer.

20 (A) The term "income tax return preparer" means
21 any person who prepares for compensation, or who
22 employs one or more persons to prepare for
23 compensation, any return of tax imposed by this Act or
24 any claim for refund of tax imposed by this Act. The
25 preparation of a substantial portion of a return or
26 claim for refund shall be treated as the preparation

1 of that return or claim for refund.

2 (B) A person is not an income tax return preparer
3 if all he or she does is

4 (i) furnish typing, reproducing, or other
5 mechanical assistance;

6 (ii) prepare returns or claims for refunds for
7 the employer by whom he or she is regularly and
8 continuously employed;

9 (iii) prepare as a fiduciary returns or claims
10 for refunds for any person; or

11 (iv) prepare claims for refunds for a taxpayer
12 in response to any notice of deficiency issued to
13 that taxpayer or in response to any waiver of
14 restriction after the commencement of an audit of
15 that taxpayer or of another taxpayer if a
16 determination in the audit of the other taxpayer
17 directly or indirectly affects the tax liability
18 of the taxpayer whose claims he or she is
19 preparing.

20 (27) Unitary business group.

21 (A) The term "unitary business group" means a
22 group of persons related through common ownership
23 whose business activities are integrated with,
24 dependent upon and contribute to each other. For
25 taxable years ending before January 1, 2027, the ~~The~~
26 group will not include those members whose business

1 activity outside the United States is 80% or more of
2 any such member's total business activity; for
3 purposes of this paragraph and clause (a)(3)(B)(ii) of
4 Section 304, business activity within the United
5 States shall be measured by means of the factors
6 ordinarily applicable under subsections (a), (b), (c),
7 (d), or (h) of Section 304 except that, in the case of
8 members ordinarily required to apportion business
9 income by means of the 3 factor formula of property,
10 payroll and sales specified in subsection (a) of
11 Section 304, including the formula as weighted in
12 subsection (h) of Section 304, such members shall not
13 use the sales factor in the computation and the
14 results of the property and payroll factor
15 computations of subsection (a) of Section 304 shall be
16 divided by 2 (by one if either the property or payroll
17 factor has a denominator of zero). The computation
18 required by the preceding sentence shall, in each
19 case, involve the division of the member's property,
20 payroll, or revenue miles in the United States,
21 insurance premiums on property or risk in the United
22 States, or financial organization business income from
23 sources within the United States, as the case may be,
24 by the respective worldwide figures for such items.
25 Common ownership in the case of corporations is the
26 direct or indirect control or ownership of more than

1 50% of the outstanding voting stock of the persons
2 carrying on unitary business activity. Unitary
3 business activity can ordinarily be illustrated where
4 the activities of the members are: (1) in the same
5 general line (such as manufacturing, wholesaling,
6 retailing of tangible personal property, insurance,
7 transportation or finance); or (2) are steps in a
8 vertically structured enterprise or process (such as
9 the steps involved in the production of natural
10 resources, which might include exploration, mining,
11 refining, and marketing); and, in either instance, the
12 members are functionally integrated through the
13 exercise of strong centralized management (where, for
14 example, authority over such matters as purchasing,
15 financing, tax compliance, product line, personnel,
16 marketing and capital investment is not left to each
17 member).

18 (B) In no event, for taxable years ending prior to
19 December 31, 2017, shall any unitary business group
20 include members which are ordinarily required to
21 apportion business income under different subsections
22 of Section 304 except that for tax years ending on or
23 after December 31, 1987 this prohibition shall not
24 apply to a holding company that would otherwise be a
25 member of a unitary business group with taxpayers that
26 apportion business income under any of subsections

1 (b), (c), (c-1), or (d) of Section 304. If a unitary
2 business group would, but for the preceding sentence,
3 include members that are ordinarily required to
4 apportion business income under different subsections
5 of Section 304, then for each subsection of Section
6 304 for which there are two or more members, there
7 shall be a separate unitary business group composed of
8 such members. For purposes of the preceding two
9 sentences, a member is "ordinarily required to
10 apportion business income" under a particular
11 subsection of Section 304 if it would be required to
12 use the apportionment method prescribed by such
13 subsection except for the fact that it derives
14 business income solely from Illinois. As used in this
15 paragraph, for taxable years ending before December
16 31, 2017, the phrase "United States" means only the 50
17 states and the District of Columbia, but does not
18 include any territory or possession of the United
19 States or any area over which the United States has
20 asserted jurisdiction or claimed exclusive rights with
21 respect to the exploration for or exploitation of
22 natural resources. For taxable years ending on or
23 after December 31, 2017, the phrase "United States",
24 as used in this paragraph, means only the 50 states,
25 the District of Columbia, and any area over which the
26 United States has asserted jurisdiction or claimed

1 exclusive rights with respect to the exploration for
2 or exploitation of natural resources, but does not
3 include any territory or possession of the United
4 States.

5 (C) Holding companies.

6 (i) For purposes of this subparagraph, a
7 "holding company" is a corporation (other than a
8 corporation that is a financial organization under
9 paragraph (8) of this subsection (a) of Section
10 1501 because it is a bank holding company under
11 the provisions of the Bank Holding Company Act of
12 1956 (12 U.S.C. 1841, et seq.) or because it is
13 owned by a bank or a bank holding company) that
14 owns a controlling interest in one or more other
15 taxpayers ("controlled taxpayers"); that, during
16 the period that includes the taxable year and the
17 2 immediately preceding taxable years or, if the
18 corporation was formed during the current or
19 immediately preceding taxable year, the taxable
20 years in which the corporation has been in
21 existence, derived substantially all its gross
22 income from dividends, interest, rents, royalties,
23 fees or other charges received from controlled
24 taxpayers for the provision of services, and gains
25 on the sale or other disposition of interests in
26 controlled taxpayers or in property leased or

1 licensed to controlled taxpayers or used by the
2 taxpayer in providing services to controlled
3 taxpayers; and that incurs no substantial expenses
4 other than expenses (including interest and other
5 costs of borrowing) incurred in connection with
6 the acquisition and holding of interests in
7 controlled taxpayers and in the provision of
8 services to controlled taxpayers or in the leasing
9 or licensing of property to controlled taxpayers.

10 (ii) The income of a holding company which is
11 a member of more than one unitary business group
12 shall be included in each unitary business group
13 of which it is a member on a pro rata basis, by
14 including in each unitary business group that
15 portion of the base income of the holding company
16 that bears the same proportion to the total base
17 income of the holding company as the gross
18 receipts of the unitary business group bears to
19 the combined gross receipts of all unitary
20 business groups (in both cases without regard to
21 the holding company) or on any other reasonable
22 basis, consistently applied.

23 (iii) A holding company shall apportion its
24 business income under the subsection of Section
25 304 used by the other members of its unitary
26 business group. The apportionment factors of a

1 holding company which would be a member of more
2 than one unitary business group shall be included
3 with the apportionment factors of each unitary
4 business group of which it is a member on a pro
5 rata basis using the same method used in clause
6 (ii).

7 (iv) The provisions of this subparagraph (C)
8 are intended to clarify existing law.

9 (D) If including the base income and factors of a
10 holding company in more than one unitary business
11 group under subparagraph (C) does not fairly reflect
12 the degree of integration between the holding company
13 and one or more of the unitary business groups, the
14 dependence of the holding company and one or more of
15 the unitary business groups upon each other, or the
16 contributions between the holding company and one or
17 more of the unitary business groups, the holding
18 company may petition the Director, under the
19 procedures provided under Section 304(f), for
20 permission to include all base income and factors of
21 the holding company only with members of a unitary
22 business group apportioning their business income
23 under one subsection of subsections (a), (b), (c), or
24 (d) of Section 304. If the petition is granted, the
25 holding company shall be included in a unitary
26 business group only with persons apportioning their

1 business income under the selected subsection of
2 Section 304 until the Director grants a petition of
3 the holding company either to be included in more than
4 one unitary business group under subparagraph (C) or
5 to include its base income and factors only with
6 members of a unitary business group apportioning their
7 business income under a different subsection of
8 Section 304.

9 (E) If the unitary business group members'
10 accounting periods differ, the common parent's
11 accounting period or, if there is no common parent,
12 the accounting period of the member that is expected
13 to have, on a recurring basis, the greatest Illinois
14 income tax liability must be used to determine whether
15 to use the apportionment method provided in subsection
16 (a) or subsection (h) of Section 304. The prohibition
17 against membership in a unitary business group for
18 taxpayers ordinarily required to apportion income
19 under different subsections of Section 304 does not
20 apply to taxpayers required to apportion income under
21 subsection (a) and subsection (h) of Section 304. The
22 provisions of this amendatory Act of 1998 apply to tax
23 years ending on or after December 31, 1998.

24 (28) Subchapter S corporation. The term "Subchapter S
25 corporation" means a corporation for which there is in
26 effect an election under Section 1362 of the Internal

1 Revenue Code, or for which there is a federal election to
2 opt out of the provisions of the Subchapter S Revision Act
3 of 1982 and have applied instead the prior federal
4 Subchapter S rules as in effect on July 1, 1982.

5 (30) Foreign person. The term "foreign person" means
6 any person who is a nonresident individual who is a
7 national or citizen of a country other than the United
8 States and, for taxable years ending before January 1,
9 2027, any nonindividual entity, regardless of where
10 created or organized, whose business activity outside the
11 United States is 80% or more of the entity's total
12 business activity. As used in this paragraph, "United
13 States" means the 50 states of the United States, the
14 District of Columbia, the territories and possessions of
15 the United States, and any area over which the United
16 States has asserted jurisdiction or claimed exclusive
17 rights with respect to the exploration for or exploitation
18 of natural resources.

19 (b) Other definitions.

20 (1) Words denoting number, gender, and so forth, when
21 used in this Act, where not otherwise distinctly expressed
22 or manifestly incompatible with the intent thereof:

23 (A) Words importing the singular include and apply
24 to several persons, parties or things;

25 (B) Words importing the plural include the
26 singular; and

1 (C) Words importing the masculine gender include
2 the feminine as well.

3 (2) "Company" or "association" as including successors
4 and assigns. The word "company" or "association", when
5 used in reference to a corporation, shall be deemed to
6 embrace the words "successors and assigns of such company
7 or association", and in like manner as if these last-named
8 words, or words of similar import, were expressed.

9 (3) Other terms. Any term used in any Section of this
10 Act with respect to the application of, or in connection
11 with, the provisions of any other Section of this Act
12 shall have the same meaning as in such other Section.

13 (Source: P.A. 102-1030, eff. 5-27-22; 103-9, eff. 6-7-23.)

14 Section 99. Effective date. This Act takes effect upon
15 becoming law.