

SB2963



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB2963

Introduced 1/27/2026, by Sen. Meg Loughran Cappel

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates an income tax deduction for any amounts paid by the taxpayer's employer on behalf of the taxpayer as part of an educational assistance program. Creates an income tax deduction for any amounts paid by the taxpayer on behalf of an employee of the taxpayer as part of an educational assistance program. Provides that the deductions are limited to the first \$5,250 of such assistance so furnished to any individual. Effective immediately.

LRB104 17267 TRT 30689 b

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (a) the person, during the same taxable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (i) any item of intangible expenses or costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 of Section 250;

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

13 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 including the bonus depreciation deduction;

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

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

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

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

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

26 (iv) for property on which a bonus

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (NN) For taxable years beginning on or after
2 January 1, 2027, any amount paid by the taxpayer's
3 employer on behalf of the taxpayer as part of an
4 educational assistance program, as defined in Section
5 127 of the Internal Revenue Code, regardless of
6 whether those amounts are included in the taxpayer's
7 federal adjusted gross income for the taxable year;
8 the deduction under this subparagraph shall apply only
9 to the first \$5,250 of such assistance so furnished to
10 any individual; this subparagraph is exempt from the
11 provisions of Section 250; and

12 (OO) For taxable years beginning on or after
13 January 1, 2027, amounts paid by the taxpayer on
14 behalf of an employee of the taxpayer as part of an
15 educational assistance program, as defined in Section
16 127 of the Internal Revenue Code; the deduction under
17 this subparagraph shall apply only to the first \$5,250
18 of such assistance so furnished to any particular
19 individual; this subparagraph is exempt from the
20 provisions of Section 250.

21 (b) Corporations.

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

25 (2) Modifications. The taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum
2 of the following amounts:

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

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

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

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

26 (E) For taxable years in which a net operating

1 loss carryback or carryforward from a taxable year
2 ending prior to December 31, 1986 is an element of
3 taxable income under paragraph (1) of subsection (e)
4 or subparagraph (E) of paragraph (2) of subsection
5 (e), the amount by which addition modifications other
6 than those provided by this subparagraph (E) exceeded
7 subtraction modifications in such earlier taxable
8 year, with the following limitations applied in the
9 order that they are listed:

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

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

23 For taxable years in which there is a net
24 operating loss carryback or carryforward from more
25 than one other taxable year ending prior to December
26 31, 1986, the addition modification provided in this

1 subparagraph (E) shall be the sum of the amounts
2 computed independently under the preceding provisions
3 of this subparagraph (E) for each such taxable year;

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

9 (E-10) For taxable years 2001 and thereafter, 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;

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

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

1 equal to that subtraction modification.

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

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

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

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

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

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

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

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

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

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

25 For taxable years ending on or after December 31,
26 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (E-15) For taxable years beginning after December
19 31, 2008, any deduction for dividends paid by a
20 captive real estate investment trust that is allowed
21 to a real estate investment trust under Section
22 857(b)(2)(B) of the Internal Revenue Code for
23 dividends paid;

24 (E-16) 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 (E-17) 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 (E-18) for taxable years beginning after December
7 31, 2018, an amount equal to the deduction allowed
8 under Section 250(a)(1)(A) of the Internal Revenue
9 Code for the taxable year;

10 (E-19) for taxable years ending on or after June
11 30, 2021, an amount equal to the deduction allowed
12 under Section 250(a)(1)(B)(i) of the Internal Revenue
13 Code for the taxable year;

14 (E-20) for taxable years ending on or after June
15 30, 2021, an amount equal to the deduction allowed
16 under Sections 243(e) and 245A(a) of the Internal
17 Revenue Code for the taxable year;

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

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

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

5 (H) In the case of a regulated investment company,
6 an amount equal to the amount of exempt interest
7 dividends as defined in subsection (b)(5) of Section
8 852 of the Internal Revenue Code, paid to shareholders
9 for the taxable year;

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

1 tax-exempt interest of a life insurance company under
2 Section 807(a)(2)(B) of the Internal Revenue Code (in
3 the case of a life insurance company with gross income
4 from a decrease in reserves for the tax year) or
5 Section 807(b)(1)(B) of the Internal Revenue Code (in
6 the case of a life insurance company allowed a
7 deduction for an increase in reserves for the tax
8 year); the provisions of this subparagraph are exempt
9 from the provisions of Section 250;

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

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

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

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

1 under this subsection shall be that portion of the
2 total interest paid by the borrower with respect to
3 such loan attributable to the eligible property as
4 calculated under the previous sentence. This
5 subparagraph (M) is exempt from the provisions of
6 Section 250;

7 (M-1) For any taxpayer that is a financial
8 organization within the meaning of Section 304(c) of
9 this Act, an amount included in such total as interest
10 income from a loan or loans made by such taxpayer to a
11 borrower, to the extent that such a loan is secured by
12 property which is eligible for the High Impact
13 Business Investment Credit. To determine the portion
14 of a loan or loans that is secured by property eligible
15 for a Section 201(h) investment credit to the
16 borrower, the entire principal amount of the loan or
17 loans between the taxpayer and the borrower should be
18 divided into the basis of the Section 201(h)
19 investment credit property which secures the loan or
20 loans, using for this purpose the original basis of
21 such property on the date that it was placed in service
22 in a federally designated Foreign Trade Zone or
23 Sub-Zone located in Illinois. No taxpayer that is
24 eligible for the deduction provided in subparagraph
25 (M) of paragraph (2) of this subsection shall be
26 eligible for the deduction provided under this

1 subparagraph (M-1). The subtraction modification
2 available to taxpayers in any year under this
3 subsection shall be that portion of the total interest
4 paid by the borrower with respect to such loan
5 attributable to the eligible property as calculated
6 under the previous sentence;

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

18 (O) An amount equal to: (i) 85% for taxable years
19 ending on or before December 31, 1992, or, a
20 percentage equal to the percentage allowable under
21 Section 243(a)(1) of the Internal Revenue Code of 1986
22 for taxable years ending after December 31, 1992, of
23 the amount by which dividends included in taxable
24 income and received from a corporation that is not
25 created or organized under the laws of the United
26 States or any state or political subdivision thereof,

1 including, for taxable years ending on or after
2 December 31, 1988, dividends received or deemed
3 received or paid or deemed paid under Sections 951
4 through 965 of the Internal Revenue Code, exceed the
5 amount of the modification provided under subparagraph
6 (G) of paragraph (2) of this subsection (b) which is
7 related to such dividends, and including, for taxable
8 years ending on or after December 31, 2008, dividends
9 received from a captive real estate investment trust;
10 plus (ii) 100% of the amount by which dividends,
11 included in taxable income and received, including,
12 for taxable years ending on or after December 31,
13 1988, dividends received or deemed received or paid or
14 deemed paid under Sections 951 through 964 of the
15 Internal Revenue Code and including, for taxable years
16 ending on or after December 31, 2008, dividends
17 received from a captive real estate investment trust,
18 from any such corporation specified in clause (i) that
19 would but for the provisions of Section 1504(b)(3) of
20 the Internal Revenue Code be treated as a member of the
21 affiliated group which includes the dividend
22 recipient, exceed the amount of the modification
23 provided under subparagraph (G) of paragraph (2) of
24 this subsection (b) which is related to such
25 dividends. For taxable years ending on or after June
26 30, 2021, (i) for purposes of this subparagraph, the

1 term "dividend" does not include any amount treated as
2 a dividend under Section 1248 of the Internal Revenue
3 Code, and (ii) this subparagraph shall not apply to
4 dividends for which a deduction is allowed under
5 Section 245(a) of the Internal Revenue Code. For
6 taxable years ending on or after December 31, 2025,
7 50% of the amount of global intangible low-taxed
8 income received or deemed received or paid or deemed
9 paid under Section 951A of the Internal Revenue Code.
10 This subparagraph (O) is exempt from the provisions of
11 Section 250 of this Act;

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

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

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

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

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

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

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

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

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

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

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

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

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

1 depreciation on that property; and

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

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

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

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 (T) and for which the taxpayer was
3 required in any taxable year to make an addition
4 modification under subparagraph (E-10), then an amount
5 equal to that addition modification.

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

9 This subparagraph (U) is exempt from the
10 provisions of Section 250;

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

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

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

1 203(b) (2) (E-12) for interest paid, accrued, or
2 incurred, directly or indirectly, to the same person.
3 This subparagraph (W) is exempt from the provisions of
4 Section 250;

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

26 (Y) For taxable years ending on or after December

1 31, 2011, in the case of a taxpayer who was required to
2 add back any insurance premiums under Section
3 203(b)(2)(E-14), such taxpayer may elect to subtract
4 that part of a reimbursement received from the
5 insurance company equal to the amount of the expense
6 or loss (including expenses incurred by the insurance
7 company) that would have been taken into account as a
8 deduction for federal income tax purposes if the
9 expense or loss had been uninsured. If a taxpayer
10 makes the election provided for by this subparagraph
11 (Y), the insurer to which the premiums were paid must
12 add back to income the amount subtracted by the
13 taxpayer pursuant to this subparagraph (Y). This
14 subparagraph (Y) is exempt from the provisions of
15 Section 250;

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

24 (AA) For taxable years beginning on or after
25 January 1, 2023, for any cannabis establishment
26 operating in this State and licensed under the

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

11 (BB) For taxable years beginning on or after
12 January 1, 2027, amounts paid by the taxpayer on
13 behalf of an employee of the taxpayer as part of an
14 educational assistance program, as defined in Section
15 127 of the Internal Revenue Code; the deduction under
16 this subparagraph shall apply only to the first \$5,250
17 of such assistance so furnished to any particular
18 individual; this subparagraph is exempt from the
19 provisions of Section 250.

20 (3) Special rule. For purposes of paragraph (2)(A),
21 "gross income" in the case of a life insurance company,
22 for tax years ending on and after December 31, 1994, and
23 prior to December 31, 2011, shall mean the gross
24 investment income for the taxable year and, for tax years
25 ending on or after December 31, 2011, shall mean all
26 amounts included in life insurance gross income under

1 Section 803(a)(3) of the Internal Revenue Code.

2 (c) Trusts and estates.

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

6 (2) Modifications. Subject to the provisions of
7 paragraph (3), the taxable income referred to in paragraph
8 (1) shall be modified by adding thereto the sum of the
9 following amounts:

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

14 (B) In the case of (i) an estate, \$600; (ii) a
15 trust which, under its governing instrument, is
16 required to distribute all of its income currently,
17 \$300; and (iii) any other trust, \$100, but in each such
18 case, only to the extent such amount was deducted in
19 the computation of taxable income;

20 (C) 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 (D) The amount of any net operating loss deduction
25 taken in arriving at taxable income, other than a net

1 operating loss carried forward from a taxable year
2 ending prior to December 31, 1986;

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

13 (i) the addition modification relating to the
14 net operating loss carried back or forward to the
15 taxable year from any taxable year ending prior to
16 December 31, 1986 shall be reduced by the amount
17 of addition modification under this subparagraph
18 (E) which related to that net operating loss and
19 which was taken into account in calculating the
20 base income of an earlier taxable year, and

21 (ii) the addition modification relating to the
22 net operating loss carried back or forward to the
23 taxable year from any taxable year ending prior to
24 December 31, 1986 shall not exceed the amount of
25 such carryback or carryforward;

26 For taxable years in which there is a net

1 operating loss carryback or carryforward from more
2 than one other taxable year ending prior to December
3 31, 1986, the addition modification provided in this
4 subparagraph (E) shall be the sum of the amounts
5 computed independently under the preceding provisions
6 of this subparagraph (E) for each such taxable year;

7 (F) For taxable years ending on or after January
8 1, 1989, an amount equal to the tax deducted pursuant
9 to Section 164 of the Internal Revenue Code if the
10 trust or estate is claiming the same tax for purposes
11 of the Illinois foreign tax credit under Section 601
12 of this Act;

13 (G) An amount equal to the amount of the capital
14 gain deduction allowable under the Internal Revenue
15 Code, to the extent deducted from gross income in the
16 computation of taxable income;

17 (G-5) For taxable years ending after December 31,
18 1997, an amount equal to any eligible remediation
19 costs that the trust or estate deducted in computing
20 adjusted gross income and for which the trust or
21 estate claims a credit under subsection (l) of Section
22 201;

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

1 the Internal Revenue Code; and

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

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

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

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

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. The addition modification
9 required by this subparagraph shall be reduced to the
10 extent that dividends were included in base income of
11 the unitary group for the same taxable year and
12 received by the taxpayer or by a member of the
13 taxpayer's unitary business group (including amounts
14 included in gross income pursuant to Sections 951
15 through 964 of the Internal Revenue Code and amounts
16 included in gross income under Section 78 of the
17 Internal Revenue Code) with respect to the stock of
18 the same person to whom the interest was paid,
19 accrued, or incurred. For taxable years ending on and
20 after December 31, 2025, for purposes of applying this
21 paragraph in the case of a taxpayer to which Section
22 163(j) of the Internal Revenue Code applies for the
23 taxable year, the reduction in the amount of interest
24 for which a deduction is allowed by reason of Section
25 163(j) shall be treated as allocable first to persons
26 who are not foreign persons referred to in this

1 paragraph and then to such foreign persons.

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

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

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

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

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

25 (iii) the taxpayer can establish, based on
26 clear and convincing evidence, that the interest

1 paid, accrued, or incurred relates to a contract
2 or agreement entered into at arm's-length rates
3 and terms and the principal purpose for the
4 payment is not federal or Illinois tax avoidance;
5 or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 following:

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

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

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

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

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

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

1 accrued. The preceding sentence does not apply to the
2 extent that the same dividends caused a reduction to
3 the addition modification required under Section
4 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this
5 Act;

6 (G-15) An amount equal to the credit allowable to
7 the taxpayer under Section 218(a) of this Act,
8 determined without regard to Section 218(c) of this
9 Act;

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

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

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

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

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

7 (I) The valuation limitation amount;

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

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

22 (L) With the exception of any amounts subtracted
23 under subparagraph (K), an amount equal to the sum of
24 all amounts disallowed as deductions by (i) Sections
25 171(a)(2) and 265(a)(2) of the Internal Revenue Code,
26 and all amounts of expenses allocable to interest and

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

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

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

24 (O) An amount equal to those dividends included in
25 such total that were paid by a corporation that
26 conducts business operations in a federally designated

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (W) in the case of an estate, an amount equal to
20 all amounts included in such total pursuant to the
21 provisions of Section 111 of the Internal Revenue Code
22 as a recovery of items previously deducted by the
23 decedent from adjusted gross income in the computation
24 of taxable income. This subparagraph (W) is exempt
25 from Section 250;

26 (X) an amount equal to the refund included in such

1 total of any tax deducted for federal income tax
2 purposes, to the extent that deduction was added back
3 under subparagraph (F). This subparagraph (X) is
4 exempt from the provisions of Section 250;

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

21 (Z) For taxable years beginning after December 31,
22 2018 and before January 1, 2026, the amount of excess
23 business loss of the taxpayer disallowed as a
24 deduction by Section 461(1)(1)(B) of the Internal
25 Revenue Code; ~~and~~

26 (AA) For taxable years beginning on or after

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

13 (BB) For taxable years beginning on or after
14 January 1, 2027, any amount paid by the taxpayer's
15 employer on behalf of the taxpayer as part of an
16 educational assistance program, as defined in Section
17 127 of the Internal Revenue Code, regardless of
18 whether those amounts are included in the taxpayer's
19 federal adjusted gross income for the taxable year;
20 the deduction under this subparagraph shall apply only
21 to the first \$5,250 of such assistance so furnished to
22 any individual; this subparagraph is exempt from the
23 provisions of Section 250.

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

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

5 (d) Partnerships.

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

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

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

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

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

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

1 computation of taxable income;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 For taxable years ending on or after December 31,

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

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

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

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

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

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

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

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

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

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

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

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

26 (E) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 equal to that addition modification.

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

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

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

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

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

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

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

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

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

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

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

23 (V) For taxable years beginning on or after
24 January 1, 2027, amounts paid by the taxpayer on
25 behalf of an employee of the taxpayer as part of an
26 educational assistance program, as defined in Section

1 127 of the Internal Revenue Code; the deduction under
2 this subparagraph shall apply only to the first \$5,250
3 of such assistance so furnished to any particular
4 individual; this subparagraph is exempt from the
5 provisions of Section 250.

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

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

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

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

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

24 (B) Certain other insurance companies. In the case
25 of mutual insurance companies subject to the tax
26 imposed by Section 831 of the Internal Revenue Code,

1 insurance company taxable income;

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

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

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

23 (F) Cooperatives. In the case of a cooperative
24 corporation or association, the taxable income of such
25 organization determined in accordance with the
26 provisions of Section 1381 through 1388 of the

1 Internal Revenue Code, but without regard to the
2 prohibition against offsetting losses from patronage
3 activities against income from nonpatronage
4 activities; except that a cooperative corporation or
5 association may make an election to follow its federal
6 income tax treatment of patronage losses and
7 nonpatronage losses. In the event such election is
8 made, such losses shall be computed and carried over
9 in a manner consistent with subsection (a) of Section
10 207 of this Act and apportioned by the apportionment
11 factor reported by the cooperative on its Illinois
12 income tax return filed for the taxable year in which
13 the losses are incurred. The election shall be
14 effective for all taxable years with original returns
15 due on or after the date of the election. In addition,
16 the cooperative may file an amended return or returns,
17 as allowed under this Act, to provide that the
18 election shall be effective for losses incurred or
19 carried forward for taxable years occurring prior to
20 the date of the election. Once made, the election may
21 only be revoked upon approval of the Director. The
22 Department shall adopt rules setting forth
23 requirements for documenting the elections and any
24 resulting Illinois net loss and the standards to be
25 used by the Director in evaluating requests to revoke
26 elections. Public Act 96-932 is declaratory of

1 existing law;

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

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

26 (3) Recapture of business expenses on disposition of

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

17 (f) Valuation limitation amount.

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

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

1 plus

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

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

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

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

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

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

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

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

22 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;
23 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,
24 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.

1 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,
2 eff. 8-15-25.)

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.