

SB3175



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3175

Introduced 2/2/2026, by Sen. Neil Anderson

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction in an amount equal to any overtime wages paid to the taxpayer during the taxable year. Effective immediately.

LRB104 19182 HLH 32627 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 through 2025, 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; for taxable years 2026 and
13 thereafter, an amount equal to the bonus depreciation
14 deduction taken on the taxpayer's federal income tax
15 return for the taxable year under subsection (k) or
16 (n) of Section 168 of the Internal Revenue Code;

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

24 If the taxpayer continues to own property through
25 the last day of the last tax year for which a
26 subtraction is allowed with respect to that property

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

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

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

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

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

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

25 (ii) an item of interest paid, accrued, or
26 incurred, directly or indirectly, to a person if

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

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

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

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

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

1 of apportionment under Section 304(f).

2 For taxable years ending on or after December 31,
3 2025, 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 if
6 the taxpayer can establish, based on a
7 preponderance of the evidence, both of the
8 following:

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

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

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

26 Nothing in this subsection shall preclude the

1 Director from making any other adjustment otherwise
2 allowed under Section 404 of this Act for any tax year
3 beginning after the effective date of this amendment
4 provided such adjustment is made pursuant to
5 regulation adopted by the Department and such
6 regulations provide methods and standards by which the
7 Department will utilize its authority under Section
8 404 of this Act;

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

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

1 similar types of intangible assets.

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

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

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

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

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

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

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

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

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

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

1 or

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

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

21 (D-20) For taxable years beginning on or after
22 January 1, 2002 and ending on or before December 31,
23 2006, in the case of a distribution from a qualified
24 tuition program under Section 529 of the Internal
25 Revenue Code, other than (i) a distribution from a
26 College Savings Pool created under Section 16.5 of the

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

24 For the purposes of this subparagraph (D-20), a
25 qualified tuition program has made reasonable efforts
26 if it makes disclosures (which may use the term

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

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

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

25 (D-21.5) For taxable years beginning on or after
26 January 1, 2018, in the case of the transfer of moneys

1 from a qualified tuition program under Section 529 or
2 a qualified ABLE program under Section 529A of the
3 Internal Revenue Code that is administered by this
4 State to an ABLE account established under an
5 out-of-state ABLE account program, an amount equal to
6 the contribution component of the transferred amount
7 that was previously deducted from base income under
8 subsection (a)(2)(Y) or subsection (a)(2)(HH) of this
9 Section;

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

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

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

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

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

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

26 (E) For taxable years ending before December 31,

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

1 Illinois National Guard or, beginning with taxable
2 years ending on or after December 31, 2007, the
3 National Guard of any other state. The provisions of
4 this subparagraph (E) are exempt from the provisions
5 of Section 250;

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

17 (G) The valuation limitation amount;

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

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

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

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

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

17 (L) For taxable years ending after December 31,
18 1983, an amount equal to all social security benefits
19 and railroad retirement benefits included in such
20 total pursuant to Sections 72(r) and 86 of the
21 Internal Revenue Code;

22 (M) With the exception of any amounts subtracted
23 under subparagraph (N), 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, for taxable years ending
6 on or after December 31, 2011, Section 45G(e)(3) of
7 the Internal Revenue Code and, for taxable years
8 ending on or after December 31, 2008, any amount
9 included in gross income under Section 87 of the
10 Internal Revenue Code; the provisions of this
11 subparagraph are exempt from the provisions of Section
12 250;

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

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

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

1 restoration of substantial amounts held under claim of
2 right for the taxable year pursuant to Section 1341 of
3 the Internal Revenue Code or of any itemized deduction
4 taken from adjusted gross income in the computation of
5 taxable income for restoration of substantial amounts
6 held under claim of right for the taxable year;

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

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

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

23 (T) An amount, to the extent included in adjusted
24 gross income, equal to the amount of interest earned
25 in the taxable year on a medical care savings account
26 established under the Medical Care Savings Account Act

1 or the Medical Care Savings Account Act of 2000 on
2 behalf of the taxpayer, other than interest added
3 pursuant to item (D-5) of this paragraph (2);

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

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

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

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

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

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

24 (Y) For taxable years beginning on or after
25 January 1, 2002 and ending on or before December 31,
26 2004, moneys contributed in the taxable year to a

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

19 (Z) 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) or (n) of Section 168 of the
23 Internal Revenue Code and for each applicable taxable
24 year 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) or (n) of
4 Section 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) or Section
2 168(n)(6) of the Internal Revenue Code to not
3 claim bonus 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) or (n) of Section 168 of the Internal Revenue Code.
20 This subparagraph (Z) is exempt from the provisions of
21 Section 250;

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

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

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

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

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

1 of Section 250;

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

23 (FF) An amount equal to any amount awarded to the
24 taxpayer during the taxable year by the Court of
25 Claims under subsection (c) of Section 8 of the Court
26 of Claims Act for time unjustly served in a State

1 prison. This subparagraph (FF) is exempt from the
2 provisions of Section 250;

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

19 (HH) For taxable years beginning on or after
20 January 1, 2018 and prior to January 1, 2028, a maximum
21 of \$10,000 contributed in the taxable year to a
22 qualified ABLE account under Section 16.6 of the State
23 Treasurer Act, except that amounts excluded from gross
24 income under Section 529(c)(3)(C)(i) or Section
25 529A(c)(1)(C) of the Internal Revenue Code shall not
26 be considered moneys contributed under this

1 subparagraph (HH). For purposes of this subparagraph
2 (HH), contributions made by an employer on behalf of
3 an employee, or matching contributions made by an
4 employee, shall be treated as made by the employee;

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

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

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

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

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

21 (MM) For taxable years beginning on or after
22 January 1, 2025, if the taxpayer is an eligible
23 resident as defined in the Medical Debt Relief Act, an
24 amount equal to the amount included in the taxpayer's
25 federal adjusted gross income that is attributable to
26 medical debt relief received by the taxpayer during

1 the taxable year from a nonprofit medical debt relief
2 coordinator under the provisions of the Medical Debt
3 Relief Act. This subparagraph (MM) is exempt from the
4 provisions of Section 250; ~~and~~

5 (NN) For taxable years beginning on or after
6 January 1, 2026, an amount equal to any overtime wages
7 paid to the taxpayer during the taxable year, at
8 regular or overtime rates, in excess of the taxpayer's
9 regular and normal monthly or weekly salary. This
10 subparagraph (NN) is exempt from the provisions of
11 Section 250.

12 (b) Corporations.

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

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

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

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

1 the computation of taxable income for the taxable
2 year;

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

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

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

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

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

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

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

26 (E-10) For taxable years 2001 through 2025, an

1 amount equal to the bonus depreciation deduction taken
2 on the taxpayer's federal income tax return for the
3 taxable year under subsection (k) of Section 168 of
4 the Internal Revenue Code; for taxable years 2026 and
5 thereafter, an amount equal to the bonus depreciation
6 deduction taken on the taxpayer's federal income tax
7 return for the taxable year under subsection (k) or
8 (n) of Section 168 of the Internal Revenue Code;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 (i) an item of interest paid, accrued, or
23 incurred, directly or indirectly, to a person 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 (ii) 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 Nothing in this subsection shall preclude the
19 Director from making any other adjustment otherwise
20 allowed under Section 404 of this Act for any tax year
21 beginning after the effective date of this amendment
22 provided such adjustment is made pursuant to
23 regulation adopted by the Department and such
24 regulations provide methods and standards by which the
25 Department will utilize its authority under Section
26 404 of this Act;

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

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

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

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

1 reporting, to a tax on or measured by net income
2 with respect to such item; or

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

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

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

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

1 304(f);

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

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

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

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

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

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

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

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

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

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

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

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

1 (E-18) for taxable years beginning after December
2 31, 2018, an amount equal to the deduction allowed
3 under Section 250(a)(1)(A) of the Internal Revenue
4 Code for the taxable year;

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

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

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

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

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

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

26 (H) In the case of a regulated investment company,

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

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

1 the case of a life insurance company allowed a
2 deduction for an increase in reserves for the tax
3 year); the provisions of this subparagraph are exempt
4 from the provisions of Section 250;

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

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

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

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

1 Section 250;

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

1 under the previous sentence;

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

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

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

1 taxable years ending on or after December 31, 2025,
2 50% of the amount of global intangible low-taxed
3 income or net controlled foreign corporation (CFC)
4 tested income received or deemed received or paid or
5 deemed paid under Sections 951 through 965 of the
6 Internal Revenue Code. This subparagraph (O) is exempt
7 from the provisions of Section 250 of this Act;

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

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

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

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

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

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

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

26 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30
2 and then divided by 70 (or "y" multiplied by
3 0.429); and

4 (3) for taxable years ending after December
5 31, 2005:

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

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

15 (iii) for property on which a bonus
16 depreciation deduction of 100% of the adjusted
17 basis was taken in a taxable year ending on or
18 after December 31, 2021, "x" equals the
19 depreciation deduction that would be allowed
20 on that property if the taxpayer had made the
21 election under Section 168(k)(7) or Section
22 168(n)(6) of the Internal Revenue Code to not
23 claim bonus depreciation on that property; and

24 (iv) for property on which a bonus
25 depreciation deduction of a percentage other
26 than 30%, 50% or 100% of the adjusted basis

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

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

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

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 required in any taxable year to make an addition
26 modification under subparagraph (E-10), then an amount

1 equal to that addition modification.

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

5 This subparagraph (U) is exempt from the
6 provisions of Section 250;

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

1 transaction under Section 203(a)(2)(D-19), Section
2 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
3 203(d)(2)(D-9), but not to exceed the amount of that
4 addition modification. This subparagraph (V) is exempt
5 from the provisions of Section 250;

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

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

22 (Y) For taxable years ending on or after December
23 31, 2011, in the case of a taxpayer who was required to
24 add back any insurance premiums under Section
25 203(b)(2)(E-14), such taxpayer may elect to subtract
26 that part of a reimbursement received from the

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

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

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

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

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

15 (c) Trusts and estates.

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

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

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

1 in the computation of taxable income;

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

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

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

26 (i) the addition modification relating to the

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

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

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

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

26 (G) An amount equal to the amount of the capital

1 gain deduction allowable under the Internal Revenue
2 Code, to the extent deducted from gross income in the
3 computation of taxable income;

4 (G-5) For taxable years ending after December 31,
5 1997, an amount equal to any eligible remediation
6 costs that the trust or estate deducted in computing
7 adjusted gross income and for which the trust or
8 estate claims a credit under subsection (l) of Section
9 201;

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

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

26 If the taxpayer continues to own property through

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 of apportionment under Section 304(f).

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

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

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

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

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

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

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

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

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

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

2 or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (I) The valuation limitation amount;

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

1 and included in such total for the taxable year;

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

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

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

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

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

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

24 (P) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code;

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

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

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

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

23 (2) for taxable years ending on or before
24 December 31, 2005, "x" equals "y" multiplied by 30
25 and then divided by 70 (or "y" multiplied by
26 0.429); and

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

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

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

12 (iii) for property on which a bonus
13 depreciation deduction of 100% of the adjusted
14 basis was taken in a taxable year ending on or
15 after December 31, 2021, "x" equals the
16 depreciation deduction that would be allowed
17 on that property if the taxpayer had made the
18 election under Section 168(k)(7) or Section
19 168(n)(6) of the Internal Revenue Code to not
20 claim bonus depreciation on that property; and

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

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

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

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

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

25 The taxpayer is allowed to take the deduction
26 under this subparagraph only once with respect to any

1 one piece of property.

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

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

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

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

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

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

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

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

22 (Y) For taxable years ending on or after December
23 31, 2011, in the case of a taxpayer who was required to
24 add back any insurance premiums under Section
25 203(c)(2)(G-14), such taxpayer may elect to subtract
26 that part of a reimbursement received from the

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

12 (Z) For taxable years beginning after December 31,
13 2018, the amount of excess business loss of the
14 taxpayer disallowed as a deduction by Section
15 461(1)(1)(B) of the Internal Revenue Code; and

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

1 this subparagraph (AA) are exempt from the provisions
2 of Section 250.

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

10 (d) Partnerships.

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

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

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

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

24 (C) The amount of deductions allowed to the
25 partnership pursuant to Section 707 (c) of the

1 Internal Revenue Code in calculating its taxable
2 income;

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

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

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

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 (O) and for which the taxpayer was

1 allowed in any taxable year to make a subtraction
2 modification under subparagraph (O), then an amount
3 equal to that subtraction modification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (ii) 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 Nothing in this subsection shall preclude the
26 Director from making any other adjustment otherwise

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

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

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

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

3 (i) any item of intangible expenses or costs
4 paid, accrued, or incurred, directly or
5 indirectly, from a transaction with 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 item; or

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

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

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

26 (iii) any item of intangible expense or cost

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

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

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

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

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

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

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

19 (D-9) For taxable years ending on or after
20 December 31, 2008, an amount equal to the amount of
21 insurance premium expenses and costs otherwise allowed
22 as a deduction in computing base income, and that were
23 paid, accrued, or incurred, directly or indirectly, to
24 a person who would be a member of the same unitary
25 business group but for the fact that the person is
26 prohibited under Section 1501(a)(27) from being

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

19 (D-10) An amount equal to the credit allowable to
20 the taxpayer under Section 218(a) of this Act,
21 determined without regard to Section 218(c) of this
22 Act;

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

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

7 and by deducting from the total so obtained the following
8 amounts:

9 (E) The valuation limitation amount;

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

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

23 (H) Any income of the partnership which
24 constitutes personal service income as defined in
25 Section 1348(b)(1) of the Internal Revenue Code (as in
26 effect December 31, 1981) or a reasonable allowance

1 for compensation paid or accrued for services rendered
2 by partners to the partnership, whichever is greater;
3 this subparagraph (H) is exempt from the provisions of
4 Section 250;

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

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

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

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

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

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

24 (N) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code;

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

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

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

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

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

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

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

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

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

1 depreciation deduction taken on that property on the
2 taxpayer's federal income tax return under subsection
3 (k) or (n) of Section 168 of the Internal Revenue Code.
4 This subparagraph (O) is exempt from the provisions of
5 Section 250;

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

11 If the taxpayer continues to own property through
12 the last day of the last tax year for which a
13 subtraction is allowed with respect to that property
14 under subparagraph (O) and for which the taxpayer was
15 required in any taxable year to make an addition
16 modification under subparagraph (D-5), then an amount
17 equal to that addition modification.

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

21 This subparagraph (P) is exempt from the
22 provisions of Section 250;

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

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

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

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

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

1 same person. This subparagraph (S) is exempt from
2 Section 250;

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

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

1 were disallowed under Section 280E of the Internal
2 Revenue Code for the taxable year and that would not be
3 added back under this subsection. The provisions of
4 this subparagraph (U) are exempt from the provisions
5 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; 104-453, eff. 12-12-25.)

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