



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

SB3486

Introduced 2/5/2026, by Sen. Robert F. Martwick

#### SYNOPSIS AS INTRODUCED:

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

Amends the Illinois Income Tax Act. Provides that provisions of the Act that provide that a taxpayer's unitary business group does not include members whose business activity outside the United States is 80% or more of the member's total business activity apply only for taxable years ending before January 1, 2026. Makes corresponding changes to deductions and addition modifications concerning those members of the unitary business group. Provides that, with respect to the term "foreign person", "United States" means the 50 states of the United States, the District of Columbia, the territories and possessions of the United States, and any area over which the United States has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources. Adds provisions concerning joint and several liability of members of a combined reporting group. Effective immediately.

LRB104 19046 HLH 34045 b

1 AN ACT concerning revenue.

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

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

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

8 Sec. 203. Base income defined.

9 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (D-17) An amount equal to the amount otherwise  
10 allowed as a deduction in computing base income for  
11 interest paid, accrued, or incurred, directly or  
12 indirectly, (i) for taxable years ending on or after  
13 December 31, 2004 and ending before January 1, 2026,  
14 to a foreign person who would be a member of the same  
15 unitary business group but for the fact that foreign  
16 person's business activity outside the United States  
17 is 80% or more of the foreign person's total business  
18 activity and (ii) for taxable years ending on or after  
19 December 31, 2008, to a person who would be a member of  
20 the same unitary business group but for the fact that  
21 the person is prohibited under Section 1501(a)(27)  
22 from being included in the unitary business group  
23 because he or she is ordinarily required to apportion  
24 business income under different subsections of Section  
25 304. The addition modification required by this  
26 subparagraph shall be reduced to the extent that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 of apportionment under Section 304(f).

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

11 (D-18) An amount equal to the amount of intangible  
12 expenses and costs otherwise allowed as a deduction in  
13 computing base income, and that were paid, accrued, or  
14 incurred, directly or indirectly, (i) for taxable  
15 years ending on or after December 31, 2004 and ending  
16 before January 1, 2026, to a foreign person who would  
17 be a member of the same unitary business group but for  
18 the fact that the foreign person's business activity  
19 outside the United States is 80% or more of that  
20 person's total business activity and (ii) for taxable  
21 years ending on or after December 31, 2008, to a person  
22 who would be a member of the same unitary business  
23 group but for the fact that the person is prohibited  
24 under Section 1501(a)(27) from being included in the  
25 unitary business group because he or she is ordinarily  
26 required to apportion business income under different

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

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

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

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

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

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

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

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

2 or

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

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

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

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

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

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

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

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

22 (D-19) For taxable years ending on or after  
23 December 31, 2008, an amount equal to the amount of  
24 insurance premium expenses and costs otherwise allowed  
25 as a deduction in computing base income, and that were  
26 paid, accrued, or incurred, directly or indirectly, to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 following amounts:

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

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

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

19 (G) The valuation limitation amount;

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

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

1 computation of taxable income;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (Y) For taxable years beginning on or after

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (b) Corporations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22          (E-12) An amount equal to the amount otherwise  
23          allowed as a deduction in computing base income for  
24          interest paid, accrued, or incurred, directly or  
25          indirectly, (i) for taxable years ending on or after  
26          December 31, 2004 and ending before January 1, 2026,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 incurred, directly or indirectly, (i) for taxable  
2 years ending on or after December 31, 2004 and ending  
3 before January 1, 2026, to a foreign person who would  
4 be a member of the same unitary business group but for  
5 the fact that the foreign person's business activity  
6 outside the United States is 80% or more of that  
7 person's total business activity and (ii) for taxable  
8 years ending on or after December 31, 2008, to a person  
9 who would be a member of the same unitary business  
10 group but for the fact that the person is prohibited  
11 under Section 1501(a)(27) from being included in the  
12 unitary business group because he or she is ordinarily  
13 required to apportion business income under different  
14 subsections of Section 304. The addition modification  
15 required by this subparagraph shall be reduced to the  
16 extent that dividends were included in base income of  
17 the unitary group for the same taxable year and  
18 received by the taxpayer or by a member of the  
19 taxpayer's unitary business group (including amounts  
20 included in gross income pursuant to Sections 951  
21 through 964 of the Internal Revenue Code and amounts  
22 included in gross income under Section 78 of the  
23 Internal Revenue Code) with respect to the stock of  
24 the same person to whom the intangible expenses and  
25 costs were directly or indirectly paid, incurred, or  
26 accrued. The preceding sentence shall not apply to the

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

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

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

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

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

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

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

26           For taxable years ending on or after December 31,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (N) Two times any contribution made during the

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

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

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

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

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

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

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

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

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

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

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

1 0.429); and

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

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

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

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

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

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

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

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

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

26          The taxpayer is allowed to take the deduction

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

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

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

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

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

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

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

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

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

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

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

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

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

14          (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (G-12) An amount equal to the amount otherwise  
10 allowed as a deduction in computing base income for  
11 interest paid, accrued, or incurred, directly or  
12 indirectly, (i) for taxable years ending on or after  
13 December 31, 2004 and ending before January 1, 2026,  
14 to a foreign person who would be a member of the same  
15 unitary business group but for the fact that the  
16 foreign person's business activity outside the United  
17 States is 80% or more of the foreign person's total  
18 business activity and (ii) for taxable years ending on  
19 or after December 31, 2008, to a person who would be a  
20 member of the same unitary business group but for the  
21 fact that the person is prohibited under Section  
22 1501(a)(27) from being included in the unitary  
23 business group because he or she is ordinarily  
24 required to apportion business income under different  
25 subsections of Section 304. The addition modification  
26 required by this subparagraph shall be reduced to the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 of apportionment under Section 304(f).

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

11 (G-13) An amount equal to the amount of intangible  
12 expenses and costs otherwise allowed as a deduction in  
13 computing base income, and that were paid, accrued, or  
14 incurred, directly or indirectly, (i) for taxable  
15 years ending on or after December 31, 2004 and ending  
16 before January 1, 2026, to a foreign person who would  
17 be a member of the same unitary business group but for  
18 the fact that the foreign person's business activity  
19 outside the United States is 80% or more of that  
20 person's total business activity and (ii) for taxable  
21 years ending on or after December 31, 2008, to a person  
22 who would be a member of the same unitary business  
23 group but for the fact that the person is prohibited  
24 under Section 1501(a)(27) from being included in the  
25 unitary business group because he or she is ordinarily  
26 required to apportion business income under different

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Act;

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

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

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

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

25 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 0.429); and

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

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

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

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

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

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

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

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

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

26          The taxpayer is allowed to take the deduction

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

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

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

22 (U) An amount equal to the interest income taken  
23 into account for the taxable year (net of the  
24 deductions allocable thereto) with respect to  
25 transactions with (i) for taxable years ending before  
26 January 1, 2026, a foreign person who would be a member

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

17 (V) An amount equal to the income from intangible  
18 property taken into account for the taxable year (net  
19 of the deductions allocable thereto) with respect to  
20 transactions with (i) for taxable years ending before  
21 January 1, 2026, a foreign person who would be a member  
22 of the taxpayer's unitary business group but for the  
23 fact that the foreign person's business activity  
24 outside the United States is 80% or more of that  
25 person's total business activity and (ii) for taxable  
26 years ending on or after December 31, 2008, to a person

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

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

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

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

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

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

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

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

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

13          (d) Partnerships.

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

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

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

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

1 the taxable year;

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

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

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

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

26 If the taxpayer continues to own property through

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

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

10 (D-7) An amount equal to the amount otherwise  
11 allowed as a deduction in computing base income for  
12 interest paid, accrued, or incurred, directly or  
13 indirectly, (i) for taxable years ending on or after  
14 December 31, 2004 and ending before January 1, 2026,  
15 to a foreign person who would be a member of the same  
16 unitary business group but for the fact the foreign  
17 person's business activity outside the United States  
18 is 80% or more of the foreign person's total business  
19 activity and (ii) for taxable years ending on or after  
20 December 31, 2008, to a person who would be a member of  
21 the same unitary business group but for the fact that  
22 the person is prohibited under Section 1501(a)(27)  
23 from being included in the unitary business group  
24 because he or she is ordinarily required to apportion  
25 business income under different subsections of Section  
26 304. The addition modification required by this

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

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

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

1 with respect to such interest; or

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (D-8) An amount equal to the amount of intangible  
13 expenses and costs otherwise allowed as a deduction in  
14 computing base income, and that were paid, accrued, or  
15 incurred, directly or indirectly, (i) for taxable  
16 years ending on or after December 31, 2004 and ending  
17 before January 1, 2026, to a foreign person who would  
18 be a member of the same unitary business group but for  
19 the fact that the foreign person's business activity  
20 outside the United States is 80% or more of that  
21 person's total business activity and (ii) for taxable  
22 years ending on or after December 31, 2008, to a person  
23 who would be a member of the same unitary business  
24 group but for the fact that the person is prohibited  
25 under Section 1501(a)(27) from being included in the  
26 unitary business group because he or she is ordinarily

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Act;

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

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

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

14 (E) The valuation limitation amount;

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

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

1 net of bond premium amortization;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (P) If the taxpayer sells, transfers, abandons, or  
12 otherwise disposes of property for which the taxpayer  
13 was required in any taxable year to make an addition  
14 modification under subparagraph (D-5), then an amount  
15 equal to that addition modification.

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

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

26 This subparagraph (P) is exempt from the

1 provisions of Section 250;

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

19 (R) An amount equal to the interest income taken  
20 into account for the taxable year (net of the  
21 deductions allocable thereto) with respect to  
22 transactions with (i) for taxable years ending before  
23 January 1, 2026, a foreign person who would be a member  
24 of the taxpayer's unitary business group but for the  
25 fact that the foreign person's business activity  
26 outside the United States is 80% or more of that

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

14 (S) An amount equal to the income from intangible  
15 property taken into account for the taxable year (net  
16 of the deductions allocable thereto) with respect to  
17 transactions with (i) for taxable years ending before  
18 January 1, 2026, a foreign person who would be a member  
19 of the taxpayer's unitary business group but for the  
20 fact that the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity and (ii) for taxable  
23 years ending on or after December 31, 2008, to a person  
24 who would be a member of the same unitary business  
25 group but for the fact that the person is prohibited  
26 under Section 1501(a)(27) from being included in the

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

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

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

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

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

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

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

20 (1.5) Special rule. For taxable years ending on or  
21 after January 1, 2026, for each member of a unitary  
22 business group, as defined in paragraph (27) of subsection  
23 (a) of Section 1501, that is neither organized in the  
24 United States nor included in a consolidated federal  
25 corporate income tax return, the member's gross income and  
26 taxable income shall be determined from a profit and loss

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

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

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

1 Internal Revenue Code;

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

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

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

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

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

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

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

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

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

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

21          (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

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

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

1 August 1, 1969 or otherwise.

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

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

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

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

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

4 (1) Property factor.

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

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

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

25 (2) Payroll factor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (3) Sales factor.

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

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

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

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

11                  (ii) The property is shipped from an office,  
12                  store, warehouse, factory or other place of storage in  
13                  this State and either the purchaser is the United  
14                  States government or the person is not taxable in the  
15                  state of the purchaser; provided, however, that  
16                  premises owned or leased by a person who has  
17                  independently contracted with the seller for the  
18                  printing of newspapers, periodicals or books shall not  
19                  be deemed to be an office, store, warehouse, factory  
20                  or other place of storage for purposes of this  
21                  Section. For taxable years ending before January 1,  
22                  2026, sales ~~Sales~~ of tangible personal property are  
23                  not in this State if the seller and purchaser would be  
24                  members of the same unitary business group but for the  
25                  fact that either the seller or purchaser is a person  
26                  with 80% or more of total business activity outside of

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

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

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

12 (ii) Place of utilization.

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

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

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

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

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

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

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

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

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

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

1 subscribers in aircraft.

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

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

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

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

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

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

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

1 for the provision of mobile telecommunications  
2 services.

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

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

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

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

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

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

26           "Service address" means:

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

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

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

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

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

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

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

11 (c) Tangible personal property;

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

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

16 (f) Internet access service;

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

1 CFR 20.3;

2 (h) "Ancillary services"; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 tax periods.

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

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

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

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

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

26 (v) In the case where film or radio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21          (b) Insurance companies.

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

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

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

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

16 (c) Financial organizations.

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

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

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

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

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

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

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

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

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

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

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

8 (i) The numerator shall be:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 repurchase agreements.

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

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

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

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

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

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

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

19 (4) (Blank).

20 (5) (Blank).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (1) Separate accounting;

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

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

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

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

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

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

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

1 the sales factor;

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

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

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

14 (35 ILCS 5/1009 new)

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

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

1           Sec. 1501. Definitions.

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

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

16           (1.5) Captive real estate investment trust:

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

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

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

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

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

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

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

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

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

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

26 (d) an entity organized as a trust,

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

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

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

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

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

1 certificates of beneficial interest on an  
2 annual basis;

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

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

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

1           actually files that return.

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

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

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

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

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

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

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

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

14          (8) Financial organization.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (11.5) Investment partnership.

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (v) repurchase agreements and loan  
8 participations;

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

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

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

20 (ix) regulated futures contracts;

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

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

3 (xi) derivatives;

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

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

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

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

18 (B) entries on the wrong lines;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (26) Income Tax Return Preparer.

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

1 of that return or claim for refund.

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

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

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

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

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

20 (27) Unitary business group.

21 (A) The term "unitary business group" means a  
22 group of persons related through common ownership  
23 whose business activities are integrated with,  
24 dependent upon and contribute to each other. For  
25 taxable years ending before January 1, 2026, the ~~The~~  
26 group will not include those members whose business

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

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

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

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

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

5 (C) Holding companies.

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

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

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

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

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

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

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

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

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

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

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

5 (30) Foreign person. The term "foreign person" means  
6 any person who is a nonresident individual who is a  
7 national or citizen of a country other than the United  
8 States and, for taxable years ending before January 1,  
9 2026, any nonindividual entity, regardless of where  
10 created or organized, whose business activity outside the  
11 United States is 80% or more of the entity's total  
12 business activity. As used in this paragraph, "United  
13 States" means the 50 states of the United States, the  
14 District of Columbia, the territories and possessions of  
15 the United States, and any area over which the United  
16 States has asserted jurisdiction or claimed exclusive  
17 rights with respect to the exploration for or exploitation  
18 of natural resources.

19 (b) Other definitions.

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

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

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

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

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

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

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

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