



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3614

Introduced 2/5/2026, by Sen. Doris Turner

SYNOPSIS AS INTRODUCED:

New Act

35 ILCS 5/203

35 ILCS 735/3-3.5 new

from Ch. 120, par. 2-203

Creates the Small Business Asset Purchase Account Act. Provides that a small business in the State may open a small business asset purchase account at an eligible financial institution. Provides that funds from a small business asset purchase account may be used only for specified eligible costs. Amends the Illinois Income Tax Act. Creates a deduction in an amount equal to 50% of the amount contributed during the taxable year to a small business asset purchase account. Creates a deduction of 100% of the interest earned on the account that is not included in the taxpayer's federal adjusted gross income. Amends the Uniform Penalty and Interest Act to provide for penalties for amounts withdrawn that are not used for eligible costs.

LRB104 20655 JDS 34152 b

1 AN ACT concerning revenue.

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

4 Section 1. Short title. This Act may be cited as the Small
5 Business Asset Purchase Account Act.

6 Section 5. Findings and purpose. The General Assembly
7 finds that:

8 (1) small businesses are the backbone of Illinois'
9 economy, providing goods, services, and jobs in
10 communities across the State;

11 (2) small businesses with fewer than 50 employees
12 comprise 76% of Illinois businesses; and

13 (3) providing more flexibility in investment decisions
14 will encourage small businesses and family farms to set
15 aside and accumulate funds for large capital expenses and
16 allow them to make those investments at the optimal time
17 for their business instead of tying those purchases to
18 arbitrary tax calendars.

19 Section 10. Definitions. As used in this Act:

20 "Department" means the Department of Revenue.

21 "Eligible costs" means purchases by the account holder of
22 property that is primarily used in Illinois and for which a

1 federal income tax deduction is claimed under Section 179 of
2 the Internal Revenue Code.

3 "Financial institution" means any bank or savings bank
4 authorized to do business and accept deposits in Illinois with
5 deposits insured by the Federal Deposit Insurance Corporation.

6 "Small business" means a business located in the State
7 with fewer than 50 employees at the time the business opens a
8 small business asset purchase account.

9 "Small business asset purchase account" means a trust or
10 custodial account that is established at a financial
11 institution for the exclusive purpose of paying eligible costs
12 and that meets each of the following requirements:

- 13 (1) contributions must be in cash; and
14 (2) the assets of the account shall not be commingled
15 with other property.

16 Section 15. Small business asset purchase accounts. A
17 small business in the State may open a small business asset
18 purchase account at a financial institution.

19 Section 20. Use of a small business asset purchase
20 account.

21 (a) Funds from a small business asset purchase account may
22 be used only for eligible costs.

23 (b) Only cash may be contributed to a small business asset
24 purchase account. No more than \$100,000 may be contributed by

1 a taxpayer in any calendar year to a small business asset
2 purchase account.

3 Section 25. Account holder responsibilities. The account
4 holder shall be solely responsible for documenting purchases
5 to demonstrate that those purchases are eligible costs.

6 Section 30. Deduction of contributions, exclusion of
7 earnings, and limitations.

8 (a) Funds deposited and withdrawn from a small business
9 asset purchase account are subject to the deductions and
10 modifications set forth in Section 203 of the Illinois Income
11 Tax Act.

12 (b) Earnings from a small business asset purchase account,
13 including interest and other income on the principal, shall be
14 excluded from the taxable income of an account holder for
15 Illinois income tax purposes during the tax year.

16 Section 35. Penalties for withdrawal for purposes other
17 than eligible purchases. If an account holder withdraws any
18 funds from a small business asset purchase account for a
19 purpose other than an eligible cost, then the funds withdrawn
20 shall be subject to the penalties outlined in Section 3-3.5 of
21 the Uniform Penalty and Interest Act.

22 Section 40. Rules. The Department may adopt rules for the

1 implementation and administration of this Act.

2 Section 900. The Illinois Income Tax Act is amended by
3 changing Section 203 as follows:

4 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

5 Sec. 203. Base income defined.

6 (a) Individuals.

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

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

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

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

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

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

17 (D-5) An amount, to the extent not included in
18 adjusted gross income, equal to the amount of money
19 withdrawn by the taxpayer in the taxable year from a
20 medical care savings account and the interest earned
21 on the account in the taxable year of a withdrawal
22 pursuant to subsection (b) of Section 20 of the
23 Medical Care Savings Account Act or subsection (b) of
24 Section 20 of the Medical Care Savings Account Act of
25 2000;

26 (D-10) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation
2 costs that the individual deducted in computing
3 adjusted gross income and for which the individual
4 claims a credit under subsection (l) of Section 201;

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

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

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

1 equal to that subtraction modification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

1 taken from adjusted gross income in the computation of
2 taxable income for restoration of substantial amounts
3 held under claim of right for the taxable year;

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

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

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

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

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

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

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

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

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

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

21 (Y) For taxable years beginning on or after
22 January 1, 2002 and ending on or before December 31,
23 2004, moneys contributed in the taxable year to a
24 College Savings Pool account under Section 16.5 of the
25 State Treasurer Act, except that amounts excluded from
26 gross income under Section 529(c)(3)(C)(i) of the

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

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

22 (1) "y" equals the amount of the depreciation
23 deduction taken for the taxable year on the
24 taxpayer's federal income tax return on property
25 for which the bonus depreciation deduction was
26 taken in any year under subsection (k) or (n) of

1 Section 168 of the Internal Revenue Code, but not
2 including the bonus depreciation deduction;

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

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

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

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

18 (iii) for property on which a bonus
19 depreciation deduction of 100% of the adjusted
20 basis was taken in a taxable year ending on or
21 after December 31, 2021, "x" equals the
22 depreciation deduction that would be allowed
23 on that property if the taxpayer had made the
24 election under Section 168(k)(7) or Section
25 168(n)(6) of the Internal Revenue Code to not
26 claim bonus depreciation on that property; and

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

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

19 (AA) 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-15), then
23 an amount equal to that addition modification.

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

1 under subparagraph (Z) and for which the taxpayer was
2 required in any taxable year to make an addition
3 modification under subparagraph (D-15), then an amount
4 equal to that addition modification.

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

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

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

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

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

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

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

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

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

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

1 31, 2011, in the case of a taxpayer who was required to
2 add back any insurance premiums under Section
3 203(a)(2)(D-19), such taxpayer may elect to subtract
4 that part of a reimbursement received from the
5 insurance company equal to the amount of the expense
6 or loss (including expenses incurred by the insurance
7 company) that would have been taken into account as a
8 deduction for federal income tax purposes if the
9 expense or loss had been uninsured. If a taxpayer
10 makes the election provided for by this subparagraph
11 (GG), the insurer to which the premiums were paid must
12 add back to income the amount subtracted by the
13 taxpayer pursuant to this subparagraph (GG). This
14 subparagraph (GG) is exempt from the provisions of
15 Section 250;

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

1 employee, shall be treated as made by the employee;

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

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

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

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

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

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

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

1 provisions of Section 250; ~~and~~

2 (NN) For taxable years beginning on or after
3 January 1, 2027, an amount equal to 50% of the amount
4 contributed by the taxpayer to a small business asset
5 purchase account during the taxable year under the
6 Small Business Asset Purchase Account Act. This
7 subparagraph (NN) is exempt from the provisions of
8 Section 250; and

9 (OO) For taxable years beginning on or after
10 January 1, 2027, any interest earnings from a small
11 business asset purchase account that are otherwise
12 included in the taxpayer's federal adjusted gross
13 income for the taxable year. This subparagraph (OO) is
14 exempt from the provisions of Section 250.

15 (b) Corporations.

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

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

22 (A) An amount equal to all amounts paid or accrued
23 to the taxpayer as interest and all distributions
24 received from regulated investment companies during
25 the taxable year to the extent excluded from gross

1 income in the computation of taxable income;

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

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

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

20 (E) For taxable years in which a net operating
21 loss carryback or carryforward from a taxable year
22 ending prior to December 31, 1986 is an element of
23 taxable income under paragraph (1) of subsection (e)
24 or subparagraph (E) of paragraph (2) of subsection
25 (e), the amount by which addition modifications other
26 than those provided by this subparagraph (E) exceeded

1 subtraction modifications in such earlier taxable
2 year, with the following limitations applied in the
3 order that they are listed:

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

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

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

24 (E-5) For taxable years ending after December 31,
25 1997, an amount equal to any eligible remediation
26 costs that the corporation deducted in computing

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

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

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

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 allowed in any taxable year to make a subtraction
24 modification under subparagraph (T), then an amount
25 equal to that subtraction modification.

26 The taxpayer is required to make the addition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 25 (i) any item of intangible expenses or costs
26 paid, accrued, or incurred, directly or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (E-15) For taxable years beginning after December
17 31, 2008, any deduction for dividends paid by a
18 captive real estate investment trust that is allowed
19 to a real estate investment trust under Section
20 857(b)(2)(B) of the Internal Revenue Code for
21 dividends paid;

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

26 (E-17) For taxable years ending on or after

1 December 31, 2017, an amount equal to the deduction
2 allowed under Section 199 of the Internal Revenue Code
3 for the taxable year;

4 (E-18) for taxable years beginning after December
5 31, 2018, an amount equal to the deduction allowed
6 under Section 250(a)(1)(A) of the Internal Revenue
7 Code for the taxable year;

8 (E-19) for taxable years ending on or after June
9 30, 2021, an amount equal to the deduction allowed
10 under Section 250(a)(1)(B)(i) of the Internal Revenue
11 Code for the taxable year;

12 (E-20) for taxable years ending on or after June
13 30, 2021, an amount equal to the deduction allowed
14 under Sections 243(e) and 245A(a) of the Internal
15 Revenue Code for the taxable year;

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

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

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

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

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

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

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

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

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

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

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

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

1 such loan attributable to the eligible property as
2 calculated under the previous sentence. This
3 subparagraph (M) is exempt from the provisions of
4 Section 250;

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

1 subsection shall be that portion of the total interest
2 paid by the borrower with respect to such loan
3 attributable to the eligible property as calculated
4 under the previous sentence;

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

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

1 received or paid or deemed paid under Sections 951
2 through 965 of the Internal Revenue Code, exceed the
3 amount of the modification provided under subparagraph
4 (G) of paragraph (2) of this subsection (b) which is
5 related to such dividends, and including, for taxable
6 years ending on or after December 31, 2008, dividends
7 received from a captive real estate investment trust;
8 plus (ii) 100% of the amount by which dividends,
9 included in taxable income and received, including,
10 for taxable years ending on or after December 31,
11 1988, dividends received or deemed received or paid or
12 deemed paid under Sections 951 through 964 of the
13 Internal Revenue Code and including, for taxable years
14 ending on or after December 31, 2008, dividends
15 received from a captive real estate investment trust,
16 from any such corporation specified in clause (i) that
17 would but for the provisions of Section 1504(b)(3) of
18 the Internal Revenue Code be treated as a member of the
19 affiliated group which includes the dividend
20 recipient, exceed the amount of the modification
21 provided under subparagraph (G) of paragraph (2) of
22 this subsection (b) which is related to such
23 dividends. For taxable years ending on or after June
24 30, 2021, (i) for purposes of this subparagraph, the
25 term "dividend" does not include any amount treated as
26 a dividend under Section 1248 of the Internal Revenue

1 Code, and (ii) this subparagraph shall not apply to
2 dividends for which a deduction is allowed under
3 Section 245(a) of the Internal Revenue Code. For
4 taxable years ending on or after December 31, 2025,
5 50% of the amount of global intangible low-taxed
6 income or net controlled foreign corporation (CFC)
7 tested income received or deemed received or paid or
8 deemed paid under Sections 951 through 965 of the
9 Internal Revenue Code. This subparagraph (O) is exempt
10 from the provisions of Section 250 of this Act;

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

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

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

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

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

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

22 (1) "y" equals the amount of the depreciation
23 deduction taken for the taxable year on the
24 taxpayer's federal income tax return on property
25 for which the bonus depreciation deduction was
26 taken in any year under subsection (k) or (n) of

1 Section 168 of the Internal Revenue Code, but not
2 including the bonus depreciation deduction;

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

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

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

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

18 (iii) for property on which a bonus
19 depreciation deduction of 100% of the adjusted
20 basis was taken in a taxable year ending on or
21 after December 31, 2021, "x" equals the
22 depreciation deduction that would be allowed
23 on that property if the taxpayer had made the
24 election under Section 168(k)(7) or Section
25 168(n)(6) of the Internal Revenue Code to not
26 claim bonus depreciation on that property; and

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

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

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

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

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

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

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

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

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

9 (W) 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) a foreign person who would be a
13 member of the taxpayer's unitary business group but
14 for the fact that the foreign person's business
15 activity outside the United States is 80% or more of
16 that person's total business activity and (ii) for
17 taxable years ending on or after December 31, 2008, to
18 a person who would be a member of the same unitary
19 business group but for the fact that the person is
20 prohibited under Section 1501(a)(27) from being
21 included in the unitary business group because he or
22 she is ordinarily required to apportion business
23 income under different subsections of Section 304, but
24 not to exceed the addition modification required to be
25 made for the same taxable year under Section
26 203(b)(2)(E-12) for interest paid, accrued, or

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

4 (X) 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) a foreign person who would be a
8 member of the taxpayer's unitary business group but
9 for the fact that the foreign person's business
10 activity outside the United States is 80% or more of
11 that person's total business activity and (ii) for
12 taxable years ending on or after December 31, 2008, to
13 a person who would be a member of the same unitary
14 business group but for the fact that the person is
15 prohibited under Section 1501(a)(27) from being
16 included in the unitary business group because he or
17 she is ordinarily required to apportion business
18 income under different subsections of Section 304, but
19 not to exceed the addition modification required to be
20 made for the same taxable year under Section
21 203(b)(2)(E-13) for intangible expenses and costs
22 paid, accrued, or incurred, directly or indirectly, to
23 the same foreign person. 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(b)(2)(E-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) The difference between the nondeductible
16 controlled foreign corporation dividends under Section
17 965(e)(3) of the Internal Revenue Code over the
18 taxable income of the taxpayer, computed without
19 regard to Section 965(e)(2)(A) of the Internal Revenue
20 Code, and without regard to any net operating loss
21 deduction. This subparagraph (Z) is exempt from the
22 provisions of Section 250; ~~and~~

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

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

10 (BB) For taxable years beginning on or after
11 January 1, 2027, an amount equal to 50% of the amount
12 contributed by the taxpayer to a small business asset
13 purchase account during the taxable year under the
14 Small Business Asset Purchase Account Act. This
15 subparagraph (BB) is exempt from the provisions of
16 Section 250; and

17 (CC) For taxable years beginning on or after
18 January 1, 2027, any interest earnings from a small
19 business asset purchase account that are otherwise
20 included in the taxpayer's federal adjusted gross
21 income for the taxable year. This subparagraph (CC) is
22 exempt from the provisions of Section 250.

23 (3) Special rule. For purposes of paragraph (2)(A),
24 "gross income" in the case of a life insurance company,
25 for tax years ending on and after December 31, 1994, and
26 prior to December 31, 2011, shall mean the gross

1 investment income for the taxable year and, for tax years
2 ending on or after December 31, 2011, shall mean all
3 amounts included in life insurance gross income under
4 Section 803(a)(3) of the Internal Revenue Code.

5 (c) Trusts and estates.

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

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

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

17 (B) In the case of (i) an estate, \$600; (ii) a
18 trust which, under its governing instrument, is
19 required to distribute all of its income currently,
20 \$300; and (iii) any other trust, \$100, but in each such
21 case, only to the extent such amount was deducted in
22 the computation of taxable income;

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

1 year;

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

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

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

24 (ii) the addition modification relating to the
25 net operating loss carried back or forward to the
26 taxable year from any taxable year ending prior to

1 December 31, 1986 shall not exceed the amount of
2 such carryback or carryforward;

3 For taxable years in which there is a net
4 operating loss carryback or carryforward from more
5 than one other taxable year ending prior to December
6 31, 1986, the addition modification provided in this
7 subparagraph (E) shall be the sum of the amounts
8 computed independently under the preceding provisions
9 of this subparagraph (E) for each such taxable year;

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

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

20 (G-5) For taxable years ending after December 31,
21 1997, an amount equal to any eligible remediation
22 costs that the trust or estate deducted in computing
23 adjusted gross income and for which the trust or
24 estate claims a credit under subsection (1) of Section
25 201;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 304(f);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (I) The valuation limitation amount;

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

1 the amount exempted shall be the interest net of bond
2 premium amortization;

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

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

1 the provisions of Section 250;

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

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

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

19 (Q) 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 (R) For taxable years 2001 and thereafter, for the

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

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

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

17 (3) for taxable years ending after December
18 31, 2005:

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

24 (ii) for property on which a bonus
25 depreciation deduction of 50% of the adjusted
26 basis was taken, "x" equals "y" multiplied by

1 1.0;

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

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

21 The aggregate amount deducted under this
22 subparagraph in all taxable years for any one piece of
23 property may not exceed the amount of the bonus
24 depreciation deduction taken on that property on the
25 taxpayer's federal income tax return under subsection
26 (k) or (n) of Section 168 of the Internal Revenue Code.

1 This subparagraph (R) is exempt from the provisions of
2 Section 250;

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

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

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

18 This subparagraph (S) is exempt from the
19 provisions of Section 250;

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

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

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

1 taxable year under Section 203(c)(2)(G-12) for
2 interest paid, accrued, or incurred, directly or
3 indirectly, to the same person. This subparagraph (U)
4 is exempt from the provisions of Section 250;

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

26 (W) in the case of an estate, an amount equal to

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

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

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

1 Section 250;

2 (Z) For taxable years beginning after December 31,
3 2018, the amount of excess business loss of the
4 taxpayer disallowed as a deduction by Section
5 461(1)(1)(B) of the Internal Revenue Code; ~~and~~

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

19 (BB) For taxable years beginning on or after
20 January 1, 2027, an amount equal to 50% of the amount
21 contributed by the taxpayer to a small business asset
22 purchase account during the taxable year under the
23 Small Business Asset Purchase Account Act. This
24 subparagraph (BB) is exempt from the provisions of
25 Section 250; and

26 (CC) For taxable years beginning on or after

1 January 1, 2027, any interest earnings from a small
2 business asset purchase account that are otherwise
3 included in the taxpayer's federal adjusted gross
4 income for the taxable year. This subparagraph (CC) is
5 exempt from the provisions 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, to a foreign person who would be a
15 member of the same unitary business group but for the
16 fact the foreign person's business activity outside
17 the United States is 80% or more of the foreign
18 person's total business activity and (ii) for taxable
19 years ending on or after December 31, 2008, to a person
20 who would be a member of the same unitary business
21 group but for the fact that the person is prohibited
22 under Section 1501(a)(27) from being included in the
23 unitary business group because he or she is ordinarily
24 required to apportion business income under different
25 subsections of Section 304. The addition modification
26 required by this subparagraph shall be reduced to the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 of apportionment under Section 304(f).

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

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

1 304. The addition modification required by this
2 subparagraph shall be reduced to the extent that
3 dividends were included in base income of the unitary
4 group for the same taxable year and received by the
5 taxpayer or by a member of the taxpayer's unitary
6 business group (including amounts included in gross
7 income pursuant to Sections 951 through 964 of the
8 Internal Revenue Code and amounts included in gross
9 income under Section 78 of the Internal Revenue Code)
10 with respect to the stock of the same person to whom
11 the intangible expenses and costs were directly or
12 indirectly paid, incurred or accrued. The preceding
13 sentence shall not apply to the extent that the same
14 dividends caused a reduction to the addition
15 modification required under Section 203(d)(2)(D-7) 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 on or after December 31,
5 2025, 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-9) 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(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

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

26 (D-11) For taxable years ending on or after

1 December 31, 2017, an amount equal to the deduction
2 allowed under Section 199 of the Internal Revenue Code
3 for the taxable year;

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

10 and by deducting from the total so obtained the following
11 amounts:

12 (E) The valuation limitation amount;

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

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

26 (H) Any income of the partnership which

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

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

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

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

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

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

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

1 (N) 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;

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

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

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

23 (3) for taxable years ending after December
24 31, 2005:

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied
3 by 0.429);

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

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

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

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

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

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

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

24 This subparagraph (P) is exempt from the
25 provisions of Section 250;

26 (Q) The amount of (i) any interest income (net of

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

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

1 business group but for the fact that the person is
2 prohibited under Section 1501(a)(27) from being
3 included in the unitary business group because he or
4 she is ordinarily required to apportion business
5 income under different subsections of Section 304, but
6 not to exceed the addition modification required to be
7 made for the same taxable year under Section
8 203(d)(2)(D-7) for interest paid, accrued, or
9 incurred, directly or indirectly, to the same person.
10 This subparagraph (R) is exempt from Section 250;

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

1 made for the same taxable year under Section
2 203(d)(2)(D-8) for intangible expenses and costs paid,
3 accrued, or incurred, directly or indirectly, to the
4 same person. This subparagraph (S) is exempt from
5 Section 250;

6 (T) 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(d)(2)(D-9), 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 (T), 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 (T). This
20 subparagraph (T) is exempt from the provisions of
21 Section 250; ~~and~~

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

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

9 (V) For taxable years beginning on or after
10 January 1, 2027, an amount equal to 50% of the amount
11 contributed by the taxpayer to a small business asset
12 purchase account during the taxable year under the
13 Small Business Asset Purchase Account Act. This
14 subparagraph (V) is exempt from the provisions of
15 Section 250; and

16 (W) For taxable years beginning on or after
17 January 1, 2027, any interest earnings from a small
18 business asset purchase account that are otherwise
19 included in the taxpayer's federal adjusted gross
20 income for the taxable year. This subparagraph (W) is
21 exempt from the provisions of Section 250.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

4 (h) Legislative intention. Except as expressly provided by
5 this Section there shall be no modifications or limitations on
6 the amounts of income, gain, loss or deduction taken into
7 account in determining gross income, adjusted gross income or
8 taxable income for federal income tax purposes for the taxable
9 year, or in the amount of such items entering into the
10 computation of base income and net income under this Act for
11 such taxable year, whether in respect of property values as of
12 August 1, 1969 or otherwise.

13 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;
14 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,
15 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.
16 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,
17 eff. 8-15-25; 104-453, eff. 12-12-25.)

18 Section 905. The Uniform Penalty and Interest Act is
19 amended by adding Section 3-3.5 as follows:

20 (35 ILCS 735/3-3.5 new)

21 Sec. 3-3.5. Penalty for improper use of proceeds of a
22 small business asset purchase account. A penalty of 10% of the
23 amount withdrawn from a small business asset purchase account,

1 as defined in the Small Business Asset Purchase Account Act,
2 during a tax year that is not used for an eligible cost.