

# SB3874



## 104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3874

Introduced 2/6/2026, by Sen. Sally J. Turner

### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Repeals provisions concerning the enhanced bonus depreciation deduction. Effective immediately.

LRB104 19649 HLH 33098 b

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 marks, copyrights, mask works, trade secrets, and  
2 similar types of intangible assets.

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

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

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

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

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

1                   or

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

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

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

21 (D-19) For taxable years ending on or after  
22 December 31, 2008, an amount equal to the amount of  
23 insurance premium expenses and costs otherwise allowed  
24 as a deduction in computing base income, and that were  
25 paid, accrued, or incurred, directly or indirectly, 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. The  
6 addition modification required by this subparagraph  
7 shall be reduced to the extent that dividends were  
8 included in base income of the unitary group for the  
9 same taxable year and received by the taxpayer or by a  
10 member of the taxpayer's unitary business group  
11 (including amounts included in gross income under  
12 Sections 951 through 964 of the Internal Revenue Code  
13 and amounts included in gross income under Section 78  
14 of the Internal Revenue Code) with respect to the  
15 stock of the same person to whom the premiums and costs  
16 were directly or indirectly paid, incurred, or  
17 accrued. The preceding sentence does not apply to the  
18 extent that the same dividends caused a reduction to  
19 the addition modification required under Section  
20 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
21 Act;

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

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

25 For the purposes of this subparagraph (D-20), a  
26 qualified tuition program has made reasonable efforts

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

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

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

26 (D-21.5) For taxable years beginning on or after

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

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

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

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

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

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

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

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

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

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

18 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

26 (P) An amount equal to the amount of the deduction

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

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

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

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

24 (T) An amount, to the extent included in adjusted  
25 gross income, equal to the amount of interest earned  
26 in the taxable year on a medical care savings account

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

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

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

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

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

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

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

25 (Y) For taxable years beginning on or after  
26 January 1, 2002 and ending on or before December 31,

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

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

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

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

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

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

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

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

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

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

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

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

23 (AA) If the taxpayer sells, transfers, abandons,  
24 or otherwise disposes of property for which the  
25 taxpayer was required in any taxable year to make an  
26 addition modification under subparagraph (D-15), then

1 an amount equal to that addition modification.

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

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

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

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

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

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

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

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

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

24 (FF) An amount equal to any amount awarded to the  
25 taxpayer during the taxable year by the Court of  
26 Claims under subsection (c) of Section 8 of the Court

1 of Claims Act for time unjustly served in a State  
2 prison. This subparagraph (FF) is exempt from the  
3 provisions of Section 250;

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

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

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

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

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

1 of Section 250;

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

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

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

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

1 medical debt relief received by the taxpayer during  
2 the taxable year from a nonprofit medical debt relief  
3 coordinator under the provisions of the Medical Debt  
4 Relief Act. This subparagraph (MM) is exempt from the  
5 provisions of Section 250.

6 (b) Corporations.

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

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

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

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

22 (C) In the case of a regulated investment company,  
23 an amount equal to the excess of (i) the net long-term  
24 capital gain for the taxable year, over (ii) the  
25 amount of the capital gain dividends designated as

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

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

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

21 (i) the addition modification relating to the  
22 net operating loss carried back or forward to the  
23 taxable year from any taxable year ending prior to  
24 December 31, 1986 shall be reduced by the amount  
25 of addition modification under this subparagraph  
26 (E) which related to that net operating loss and

1           which was taken into account in calculating the  
2           base income of an earlier taxable year, and

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

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

15                  (E-5) For taxable years ending after December 31,  
16          1997, an amount equal to any eligible remediation  
17          costs that the corporation deducted in computing  
18          adjusted gross income and for which the corporation  
19          claims a credit under subsection (l) of Section 201;

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

1 ~~taxpayer's federal income tax return for the taxable~~  
2 ~~year under subsection (k) or (n) of Section 168 of the~~  
3 ~~Internal Revenue Code;~~

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

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

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

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

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

1 163(j) shall be treated as allocable first to persons  
2 who are not foreign persons referred to in this  
3 paragraph and then to such foreign persons.

4 For taxable years ending before December 31, 2025,  
5 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 who  
8 is subject in a foreign country or state, other  
9 than a state which requires mandatory unitary  
10 reporting, to a tax on or measured by net income  
11 with respect to such interest; or

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

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

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

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

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

15 For taxable years ending on or after December 31,  
16 2025, this paragraph shall not apply to the following:

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

13 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 (E-13) An amount equal to the amount of intangible  
23 expenses and costs otherwise allowed as a deduction in  
24 computing base income, and that were paid, accrued, or  
25 incurred, directly or indirectly, (i) for taxable  
26 years ending on or after December 31, 2004, to a

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

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

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

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

24                         (ii) any item of intangible expense or cost  
25                         paid, accrued, or incurred, directly or  
26                         indirectly, if the taxpayer can establish, based

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

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

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

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

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

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

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

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

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

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

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

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

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

1 stock of the same person to whom the premiums and costs  
2 were directly or indirectly paid, incurred, or  
3 accrued. The preceding sentence does not apply to the  
4 extent that the same dividends caused a reduction to  
5 the addition modification required under Section  
6 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
7 Act;

8 (E-15) For taxable years beginning after December  
9 31, 2008, any deduction for dividends paid by a  
10 captive real estate investment trust that is allowed  
11 to a real estate investment trust under Section  
12 857(b)(2)(B) of the Internal Revenue Code for  
13 dividends paid;

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

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

22 (E-18) for taxable years beginning after December  
23 31, 2018, an amount equal to the deduction allowed  
24 under Section 250(a)(1)(A) of the Internal Revenue  
25 Code for the taxable year;

26 (E-19) for taxable years ending on or after June

1           30, 2021, an amount equal to the deduction allowed  
2           under Section 250(a)(1)(B)(i) of the Internal Revenue  
3           Code for the taxable year;

4           (E-20) for taxable years ending on or after June  
5           30, 2021, an amount equal to the deduction allowed  
6           under Sections 243(e) and 245A(a) of the Internal  
7           Revenue Code for the taxable year;

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

14          and by deducting from the total so obtained the sum of the  
15          following amounts:

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

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

21          (H) In the case of a regulated investment company,  
22          an amount equal to the amount of exempt interest  
23          dividends as defined in subsection (b)(5) of Section  
24          852 of the Internal Revenue Code, paid to shareholders  
25          for the taxable year;

26          (I) With the exception of any amounts subtracted

1 under subparagraph (J), an amount equal to the sum of  
2 all amounts disallowed as deductions by (i) Sections  
3 171(a)(2) and 265(a)(2) and amounts disallowed as  
4 interest expense by Section 291(a)(3) of the Internal  
5 Revenue Code, and all amounts of expenses allocable to  
6 interest and disallowed as deductions by Section  
7 265(a)(1) of the Internal Revenue Code; and (ii) for  
8 taxable years ending on or after August 13, 1999,  
9 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
10 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
11 for tax years ending on or after December 31, 2011,  
12 amounts disallowed as deductions by Section 45G(e)(3)  
13 of the Internal Revenue Code and, for taxable years  
14 ending on or after December 31, 2008, any amount  
15 included in gross income under Section 87 of the  
16 Internal Revenue Code and the policyholders' share of  
17 tax-exempt interest of a life insurance company under  
18 Section 807(a)(2)(B) of the Internal Revenue Code (in  
19 the case of a life insurance company with gross income  
20 from a decrease in reserves for the tax year) or  
21 Section 807(b)(1)(B) of the Internal Revenue Code (in  
22 the case of a life insurance company allowed a  
23 deduction for an increase in reserves for the tax  
24 year); the provisions of this subparagraph are exempt  
25 from the provisions of Section 250;

26 (J) An amount equal to all amounts included in

1 such total which are exempt from taxation by this  
2 State either by reason of its statutes or Constitution  
3 or by reason of the Constitution, treaties or statutes  
4 of the United States; provided that, in the case of any  
5 statute of this State that exempts income derived from  
6 bonds or other obligations from the tax imposed under  
7 this Act, the amount exempted shall be the interest  
8 net of bond premium amortization;

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

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

26 (M) For any taxpayer that is a financial

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

23 (M-1) For any taxpayer that is a financial  
24 organization within the meaning of Section 304(c) of  
25 this Act, an amount included in such total as interest  
26 income from a loan or loans made by such taxpayer to a

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

23 (N) Two times any contribution made during the  
24 taxable year to a designated zone organization to the  
25 extent that the contribution (i) qualifies as a  
26 charitable contribution under subsection (c) of

1 Section 170 of the Internal Revenue Code and (ii)  
2 must, by its terms, be used for a project approved by  
3 the Department of Commerce and Economic Opportunity  
4 under Section 11 of the Illinois Enterprise Zone Act  
5 or under Section 10-10 of the River Edge Redevelopment  
6 Zone Act. This subparagraph (N) is exempt from the  
7 provisions of Section 250;

8 (O) An amount equal to: (i) 85% for taxable years  
9 ending on or before December 31, 1992, or, a  
10 percentage equal to the percentage allowable under  
11 Section 243(a)(1) of the Internal Revenue Code of 1986  
12 for taxable years ending after December 31, 1992, of  
13 the amount by which dividends included in taxable  
14 income and received from a corporation that is not  
15 created or organized under the laws of the United  
16 States or any state or political subdivision thereof,  
17 including, for taxable years ending on or after  
18 December 31, 1988, dividends received or deemed  
19 received or paid or deemed paid under Sections 951  
20 through 965 of the Internal Revenue Code, exceed the  
21 amount of the modification provided under subparagraph  
22 (G) of paragraph (2) of this subsection (b) which is  
23 related to such dividends, and including, for taxable  
24 years ending on or after December 31, 2008, dividends  
25 received from a captive real estate investment trust;  
26 plus (ii) 100% of the amount by which dividends,

1 included in taxable income and received, including,  
2 for taxable years ending on or after December 31,  
3 1988, dividends received or deemed received or paid or  
4 deemed paid under Sections 951 through 964 of the  
5 Internal Revenue Code and including, for taxable years  
6 ending on or after December 31, 2008, dividends  
7 received from a captive real estate investment trust,  
8 from any such corporation specified in clause (i) that  
9 would but for the provisions of Section 1504(b)(3) of  
10 the Internal Revenue Code be treated as a member of the  
11 affiliated group which includes the dividend  
12 recipient, exceed the amount of the modification  
13 provided under subparagraph (G) of paragraph (2) of  
14 this subsection (b) which is related to such  
15 dividends. For taxable years ending on or after June  
16 30, 2021, (i) for purposes of this subparagraph, the  
17 term "dividend" does not include any amount treated as  
18 a dividend under Section 1248 of the Internal Revenue  
19 Code, and (ii) this subparagraph shall not apply to  
20 dividends for which a deduction is allowed under  
21 Section 245(a) of the Internal Revenue Code. For  
22 taxable years ending on or after December 31, 2025,  
23 50% of the amount of global intangible low-taxed  
24 income or net controlled foreign corporation (CFC)  
25 tested income received or deemed received or paid or  
26 deemed paid under Sections 951 through 965 of the

1 Internal Revenue Code. This subparagraph (O) is exempt  
2 from the provisions of Section 250 of this Act;

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

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

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

24 (S) For taxable years ending on or after December  
25 31, 1997, in the case of a Subchapter S corporation, an  
26 amount equal to all amounts of income allocable to a

1 shareholder subject to the Personal Property Tax  
2 Replacement Income Tax imposed by subsections (c) and  
3 (d) of Section 201 of this Act, including amounts  
4 allocable to organizations exempt from federal income  
5 tax by reason of Section 501(a) of the Internal  
6 Revenue Code. This subparagraph (S) is exempt from the  
7 provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

26 This subparagraph (U) is exempt from the

1 provisions of Section 250;

2 (V) The amount of: (i) any interest income (net of  
3 the deductions allocable thereto) taken into account  
4 for the taxable year with respect to a transaction  
5 with a taxpayer that is required to make an addition  
6 modification with respect to such transaction under  
7 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
8 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
9 the amount of such addition modification, (ii) any  
10 income from intangible property (net of the deductions  
11 allocable thereto) taken into account for the taxable  
12 year with respect to a transaction with a taxpayer  
13 that is required to make an addition modification with  
14 respect to such transaction under Section  
15 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
16 203(d)(2)(D-8), but not to exceed the amount of such  
17 addition modification, and (iii) any insurance premium  
18 income (net of deductions allocable thereto) taken  
19 into account for the taxable year with respect to a  
20 transaction with a taxpayer that is required to make  
21 an addition modification with respect to such  
22 transaction under Section 203(a)(2)(D-19), Section  
23 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
24 203(d)(2)(D-9), but not to exceed the amount of that  
25 addition modification. This subparagraph (V) is exempt  
26 from the provisions of Section 250;

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

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

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

17 (Y) For taxable years ending on or after December  
18 31, 2011, in the case of a taxpayer who was required to  
19 add back any insurance premiums under Section  
20 203(b)(2)(E-14), such taxpayer may elect to subtract  
21 that part of a reimbursement received from the  
22 insurance company equal to the amount of the expense  
23 or loss (including expenses incurred by the insurance  
24 company) that would have been taken into account as a  
25 deduction for federal income tax purposes if the  
26 expense or loss had been uninsured. If a taxpayer

1 makes the election provided for by this subparagraph  
2 (Y), the insurer to which the premiums were paid must  
3 add back to income the amount subtracted by the  
4 taxpayer pursuant to this subparagraph (Y). This  
5 subparagraph (Y) is exempt from the provisions of  
6 Section 250;

7 (Z) The difference between the nondeductible  
8 controlled foreign corporation dividends under Section  
9 965(e)(3) of the Internal Revenue Code over the  
10 taxable income of the taxpayer, computed without  
11 regard to Section 965(e)(2)(A) of the Internal Revenue  
12 Code, and without regard to any net operating loss  
13 deduction. This subparagraph (Z) is exempt from the  
14 provisions of Section 250; and

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

1 of Section 250.

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

10 (c) Trusts and estates.

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

14 (2) Modifications. Subject to the provisions of  
15 paragraph (3), the taxable income referred to in paragraph  
16 (1) shall be modified by adding thereto the sum of the  
17 following amounts:

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

22 (B) In the case of (i) an estate, \$600; (ii) a  
23 trust which, under its governing instrument, is  
24 required to distribute all of its income currently,  
25 \$300; and (iii) any other trust, \$100, but in each such

1 case, only to the extent such amount was deducted in  
2 the computation of taxable income;

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

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

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

21 (i) the addition modification relating to the  
22 net operating loss carried back or forward to the  
23 taxable year from any taxable year ending prior to  
24 December 31, 1986 shall be reduced by the amount  
25 of addition modification under this subparagraph  
26 (E) which related to that net operating loss and

1           which was taken into account in calculating the  
2           base income of an earlier taxable year, and

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

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

15                  (F) For taxable years ending on or after January  
16          1, 1989, an amount equal to the tax deducted pursuant  
17          to Section 164 of the Internal Revenue Code if the  
18          trust or estate is claiming the same tax for purposes  
19          of the Illinois foreign tax credit under Section 601  
20          of this Act;

21                  (G) An amount equal to the amount of the capital  
22          gain deduction allowable under the Internal Revenue  
23          Code, to the extent deducted from gross income in the  
24          computation of taxable income;

25                  (G-5) For taxable years ending after December 31,  
26          1997, an amount equal to any eligible remediation

1 costs that the trust or estate deducted in computing  
2 adjusted gross income and for which the trust or  
3 estate claims a credit under subsection (l) of Section  
4 201;

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

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

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

1 modification under subparagraph (R), then an amount  
2 equal to that subtraction modification.

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

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

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

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

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

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

1 following:

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

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

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

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

26 For taxable years ending on or after December 31,

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

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

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

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

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

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

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

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

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

26 For taxable years ending before December 31, 2025,



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

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

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

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

26 (ii) any item of intangible expense or cost

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

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

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

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

19 (G-15) An amount equal to the credit allowable to  
20 the taxpayer under Section 218(a) of this Act,  
21 determined without regard to Section 218(c) of this  
22 Act;

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

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

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

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

20          (I) The valuation limitation amount;

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

24          (K) An amount equal to all amounts included in  
25          taxable income as modified by subparagraphs (A), (B),  
26          (C), (D), (E), (F) and (G) which are exempt from

1           taxation by this State either by reason of its  
2           statutes or Constitution or by reason of the  
3           Constitution, treaties or statutes of the United  
4           States; provided that, in the case of any statute of  
5           this State that exempts income derived from bonds or  
6           other obligations from the tax imposed under this Act,  
7           the amount exempted shall be the interest net of bond  
8           premium amortization;

9           (L) With the exception of any amounts subtracted  
10          under subparagraph (K), an amount equal to the sum of  
11          all amounts disallowed as deductions by (i) Sections  
12          171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
13          and all amounts of expenses allocable to interest and  
14          disallowed as deductions by Section 265(a)(1) of the  
15          Internal Revenue Code; and (ii) for taxable years  
16          ending on or after August 13, 1999, Sections  
17          171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
18          Internal Revenue Code, plus, (iii) for taxable years  
19          ending on or after December 31, 2011, Section  
20          45G(e)(3) of the Internal Revenue Code and, for  
21          taxable years ending on or after December 31, 2008,  
22          any amount included in gross income under Section 87  
23          of the Internal Revenue Code; the provisions of this  
24          subparagraph are exempt from the provisions of Section  
25          250;

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

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

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

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

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

25          (Q) For taxable year 1999 and thereafter, an  
26          amount equal to the amount of any (i) distributions,

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

1 the eligibility for any public assistance, benefit, or  
2 similar entitlement is not affected by the inclusion  
3 of items (i) and (ii) of this paragraph in gross income  
4 for federal income tax purposes. This paragraph is  
5 exempt from the provisions of Section 250;

6 (R) 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 (R) is exempt from the provisions of  
8           Section 250;

9           (S) 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 (G-10), 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 (R) and for which the taxpayer was  
18          required in any taxable year to make an addition  
19          modification under subparagraph (G-10), 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 (S) is exempt from the  
25          provisions of Section 250;

26          (T) 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 (T) is exempt  
16 from the provisions of Section 250;

17 (U) 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 the foreign person's business activity  
23 outside the United States is 80% or more of that  
24 person's total business activity and (ii) for taxable  
25 years ending on or after December 31, 2008, to a person  
26 who would be a member of the same unitary business

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

11 (V) 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(c)(2)(G-13) for intangible expenses and costs  
3 paid, accrued, or incurred, directly or indirectly, to  
4 the same foreign person. This subparagraph (V) is  
5 exempt from the provisions of Section 250;

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

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

18 (Y) For taxable years ending on or after December  
19 31, 2011, in the case of a taxpayer who was required to  
20 add back any insurance premiums under Section  
21 203(c)(2)(G-14), such taxpayer may elect to subtract  
22 that part of a reimbursement received from the  
23 insurance company equal to the amount of the expense  
24 or loss (including expenses incurred by the insurance  
25 company) that would have been taken into account as a  
26 deduction for federal income tax purposes if the

1 expense or loss had been uninsured. If a taxpayer  
2 makes the election provided for by this subparagraph  
3 (Y), the insurer to which the premiums were paid must  
4 add back to income the amount subtracted by the  
5 taxpayer pursuant to this subparagraph (Y). This  
6 subparagraph (Y) is exempt from the provisions of  
7 Section 250;

8 (Z) For taxable years beginning after December 31,  
9 2018, the amount of excess business loss of the  
10 taxpayer disallowed as a deduction by Section  
11 461(1)(1)(B) of the Internal Revenue Code; and

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

25 (3) Limitation. The amount of any modification  
26 otherwise required under this subsection shall, under

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

6 (d) Partnerships.

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

10 (2) Modifications. The taxable income referred to in  
11 paragraph (1) shall be modified by adding thereto the sum  
12 of the 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) An amount equal to the amount of tax imposed by  
18 this Act to the extent deducted from gross income for  
19 the taxable year;

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

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

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

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

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

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

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

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

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

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

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

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

26 (a) the person, during the same taxable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (i) any item of intangible expenses or costs

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

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

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

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

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

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

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

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

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

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

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

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

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

16          (D-9) For taxable years ending on or after  
17          December 31, 2008, an amount equal to the amount of  
18          insurance premium expenses and costs otherwise allowed  
19          as a deduction in computing base income, and that were  
20          paid, accrued, or incurred, directly or indirectly, to  
21          a person who would be a member of the same unitary  
22          business group but for the fact that the person is  
23          prohibited under Section 1501(a)(27) from being  
24          included in the unitary business group because he or  
25          she is ordinarily required to apportion business  
26          income under different subsections of Section 304. The

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

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

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

24 (D-12) the amount that is claimed as a federal  
25 deduction when computing the taxpayer's federal  
26 taxable income for the taxable year and that is

1           attributable to an endowment gift for which the  
2           taxpayer receives a credit under the Illinois Gives  
3           Tax Credit Act;

4           and by deducting from the total so obtained the following  
5           amounts:

6                   (E) The valuation limitation amount;

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

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

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

1 Section 250;

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

10 (J) With the exception of any amounts subtracted  
11 under subparagraph (G), an amount equal to the sum of  
12 all amounts disallowed as deductions by (i) Sections  
13 171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
14 and all amounts of expenses allocable to interest and  
15 disallowed as deductions by Section 265(a)(1) of the  
16 Internal Revenue Code; and (ii) for taxable years  
17 ending on or after August 13, 1999, Sections  
18 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
19 Internal Revenue Code, plus, (iii) for taxable years  
20 ending on or after December 31, 2011, Section  
21 45G(e)(3) of the Internal Revenue Code and, for  
22 taxable years ending on or after December 31, 2008,  
23 any amount included in gross income under Section 87  
24 of the Internal Revenue Code; the provisions of this  
25 subparagraph are exempt from the provisions of Section  
26 250;

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

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

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

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

26           (O) 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 (O) is exempt from the provisions of  
2 Section 250;

3 (P) 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 (D-5), 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 (O) and for which the taxpayer was  
12 required in any taxable year to make an addition  
13 modification under subparagraph (D-5), 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 (P) is exempt from the  
19 provisions of Section 250;

20 (Q) 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 (Q) is exempt  
10 from Section 250;

11 (R) 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 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-7) for interest paid, accrued, or  
3 incurred, directly or indirectly, to the same person.  
4 This subparagraph (R) is exempt from Section 250;

5 (S) 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(d)(2)(D-8) for intangible expenses and costs paid,  
23 accrued, or incurred, directly or indirectly, to the  
24 same person. This subparagraph (S) is exempt from  
25 Section 250;

26 (T) 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(d)(2)(D-9), 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 (T), 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 (T). This  
14 subparagraph (T) is exempt from the provisions of  
15 Section 250; and

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

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

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

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

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

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

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

21 (B) Certain other insurance companies. In the case  
22 of mutual insurance companies subject to the tax  
23 imposed by Section 831 of the Internal Revenue Code,  
24 insurance company taxable income;

25 (C) Regulated investment companies. In the case of  
26 a regulated investment company subject to the tax

1 imposed by Section 852 of the Internal Revenue Code,  
2 investment company taxable income;

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

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

20 (F) Cooperatives. In the case of a cooperative  
21 corporation or association, the taxable income of such  
22 organization determined in accordance with the  
23 provisions of Section 1381 through 1388 of the  
24 Internal Revenue Code, but without regard to the  
25 prohibition against offsetting losses from patronage  
26 activities against income from nonpatronage

1 activities; except that a cooperative corporation or  
2 association may make an election to follow its federal  
3 income tax treatment of patronage losses and  
4 nonpatronage losses. In the event such election is  
5 made, such losses shall be computed and carried over  
6 in a manner consistent with subsection (a) of Section  
7 207 of this Act and apportioned by the apportionment  
8 factor reported by the cooperative on its Illinois  
9 income tax return filed for the taxable year in which  
10 the losses are incurred. The election shall be  
11 effective for all taxable years with original returns  
12 due on or after the date of the election. In addition,  
13 the cooperative may file an amended return or returns,  
14 as allowed under this Act, to provide that the  
15 election shall be effective for losses incurred or  
16 carried forward for taxable years occurring prior to  
17 the date of the election. Once made, the election may  
18 only be revoked upon approval of the Director. The  
19 Department shall adopt rules setting forth  
20 requirements for documenting the elections and any  
21 resulting Illinois net loss and the standards to be  
22 used by the Director in evaluating requests to revoke  
23 elections. Public Act 96-932 is declaratory of  
24 existing law;

25 (G) Subchapter S corporations. In the case of: (i)  
26 a Subchapter S corporation for which there is in

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

16 (H) Partnerships. In the case of a partnership,  
17 taxable income determined in accordance with Section  
18 703 of the Internal Revenue Code, except that taxable  
19 income shall take into account those items which are  
20 required by Section 703(a)(1) to be separately stated  
21 but which would be taken into account by an individual  
22 in calculating his taxable income.

23 (3) Recapture of business expenses on disposition of  
24 asset or business. Notwithstanding any other law to the  
25 contrary, if in prior years income from an asset or  
26 business has been classified as business income and in a

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

14 (f) Valuation limitation amount.

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

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

24 (B) The lesser of (i) the sum of the pre-August 1,  
25 1969 appreciation amounts (to the extent consisting of

1 capital gain) for all property in respect of which  
2 such gain was reported for federal income tax purposes  
3 for the taxable year, or (ii) the net capital gain for  
4 the taxable year, reduced in either case by any amount  
5 of such gain included in the amount determined under  
6 subsection (a) (2) (F) or (c) (2) (H).

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

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

19 (B) If the fair market value of property referred  
20 to in paragraph (1) was not readily ascertainable on  
21 August 1, 1969, the pre-August 1, 1969 appreciation  
22 amount for such property is that amount which bears  
23 the same ratio to the total gain reported in respect of  
24 the property for federal income tax purposes for the  
25 taxable year, as the number of full calendar months in  
26 that part of the taxpayer's holding period for the

1 property ending July 31, 1969 bears to the number of  
2 full calendar months in the taxpayer's entire holding  
3 period for the property.

4 (C) The Department shall prescribe such  
5 regulations as may be necessary to carry out the  
6 purposes of this paragraph.

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

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

19 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;  
20 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,  
21 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.  
22 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,  
23 eff. 8-15-25; 104-453, eff. 12-12-25.)

24 Section 99. Effective date. This Act takes effect upon

1 becoming law.