

1 AN ACT concerning State government.

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

4 Section 5. The State Treasurer Act is amended by changing
5 Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool.

8 (a) Definitions. As used in this Section:

9 "Account owner" means any person or entity who has opened
10 an account or to whom ownership of an account has been
11 transferred, as allowed by the Internal Revenue Code, and who
12 has authority to withdraw funds, direct withdrawal of funds,
13 change the designated beneficiary, or otherwise exercise
14 control over an account in the College Savings Pool.

15 "Donor" means any person or entity who makes contributions
16 to an account in the College Savings Pool.

17 "Designated beneficiary" means any individual designated
18 as the beneficiary of an account in the College Savings Pool by
19 an account owner. A designated beneficiary must have a valid
20 social security number or taxpayer identification number. In
21 the case of an account established as part of a scholarship
22 program permitted under Section 529 of the Internal Revenue
23 Code, the designated beneficiary is any individual receiving

1 benefits accumulated in the account as a scholarship.

2 "Member of the family" has the same meaning ascribed to
3 that term under Section 529 of the Internal Revenue Code.

4 "Nonqualified withdrawal" means a distribution from an
5 account other than a distribution that (i) is used for the
6 qualified expenses of the designated beneficiary; (ii) results
7 from the beneficiary's death or disability; (iii) is a rollover
8 to another account in the College Savings Pool; or (iv) is a
9 rollover to an ABLE account, as defined in Section 16.6 of this
10 Act, or any distribution that, within 60 days after such
11 distribution, is transferred to an ABLE account of the
12 designated beneficiary or a member of the family of the
13 designated beneficiary to the extent that the distribution,
14 when added to all other contributions made to the ABLE account
15 for the taxable year, does not exceed the limitation under
16 Section 529A(b) (2) (B) (i) of the Internal Revenue Code.

17 "Program manager" means any financial institution or
18 entity lawfully doing business in the State of Illinois
19 selected by the State Treasurer to oversee the recordkeeping,
20 custody, customer service, investment management, and
21 marketing for one or more of the programs in the College
22 Savings Pool.

23 "Qualified expenses" means: (i) tuition, fees, and the
24 costs of books, supplies, and equipment required for enrollment
25 or attendance at an eligible educational institution; (ii)
26 expenses for special needs services, in the case of a special

1 needs beneficiary, which are incurred in connection with such
2 enrollment or attendance; (iii) certain expenses for the
3 purchase of computer or peripheral equipment, as defined in
4 Section 168 of the federal Internal Revenue Code (26 U.S.C.
5 168), computer software, as defined in Section 197 of the
6 federal Internal Revenue Code (26 U.S.C. 197), or Internet
7 access and related services, if such equipment, software, or
8 services are to be used primarily by the beneficiary during any
9 of the years the beneficiary is enrolled at an eligible
10 educational institution, except that, such expenses shall not
11 include expenses for computer software designed for sports,
12 games, or hobbies, unless the software is predominantly
13 educational in nature; and (iv) room and board expenses
14 incurred while attending an eligible educational institution
15 at least half-time. "Eligible educational institutions", as
16 used in this Section, means public and private colleges, junior
17 colleges, graduate schools, and certain vocational
18 institutions that are described in Section 481 of the Higher
19 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to
20 participate in Department of Education student aid programs. A
21 student shall be considered to be enrolled at least half-time
22 if the student is enrolled for at least half the full-time
23 academic workload for the course of study the student is
24 pursuing as determined under the standards of the institution
25 at which the student is enrolled.

26 (b) Establishment of the Pool. The State Treasurer may

1 establish and administer a College Savings Pool as a qualified
2 tuition program under Section 529 of the Internal Revenue Code.
3 The Pool may consist of one or more college savings programs ~~to~~
4 ~~supplement and enhance the investment opportunities otherwise~~
5 ~~available to persons seeking to finance the costs of higher~~
6 ~~education.~~ The State Treasurer, in administering the College
7 Savings Pool, may receive, hold, and invest moneys paid into
8 the Pool and perform such other actions as are necessary to
9 ensure that the Pool operates as a qualified tuition program in
10 accordance with Section 529 of the Internal Revenue Code ~~pool~~
11 ~~by a participant and may serve as the fiscal agent of that~~
12 ~~participant for the purpose of holding and investing those~~
13 ~~moneys.~~

14 (c) Administration of the College Savings Pool. The State
15 Treasurer may engage one or more financial institutions to
16 handle the overall administration, investment management,
17 recordkeeping, and marketing of the programs in the College
18 Savings Pool. The contributions deposited in the Pool, and any
19 earnings thereon, shall not constitute property of the State or
20 be commingled with State funds and the State shall have no
21 claim to or against, or interest in, such funds.

22 ~~"Participant", as used in this Section, means any person~~
23 ~~who has authority to withdraw funds, change the designated~~
24 ~~beneficiary, or otherwise exercise control over an account.~~
25 ~~"Donor", as used in this Section, means any person who makes~~
26 ~~investments in the pool. "Designated beneficiary", as used in~~

1 ~~this Section, means any person on whose behalf an account is~~
2 ~~established in the College Savings Pool by a participant. Both~~
3 ~~in-state and out-of-state persons may be participants, donors,~~
4 ~~and designated beneficiaries in the College Savings Pool. The~~
5 ~~College Savings Pool must be available to any individual with a~~
6 ~~valid social security number or taxpayer identification number~~
7 ~~for the benefit of any individual with a valid social security~~
8 ~~number or taxpayer identification number, unless a contract in~~
9 ~~effect on August 1, 2011 (the effective date of Public Act~~
10 ~~97-233) does not allow for taxpayer identification numbers, in~~
11 ~~which case taxpayer identification numbers must be allowed upon~~
12 ~~the expiration of the contract.~~

13 ~~New accounts in the College Savings Pool may be processed~~
14 ~~through participating financial institutions. "Participating~~
15 ~~financial institution", as used in this Section, means any~~
16 ~~financial institution insured by the Federal Deposit Insurance~~
17 ~~Corporation and lawfully doing business in the State of~~
18 ~~Illinois and any credit union approved by the State Treasurer~~
19 ~~and lawfully doing business in the State of Illinois that~~
20 ~~agrees to process new accounts in the College Savings Pool.~~
21 ~~Participating financial institutions may charge a processing~~
22 ~~fee to participants to open an account in the pool that shall~~
23 ~~not exceed \$30 until the year 2001. Beginning in 2001 and every~~
24 ~~year thereafter, the maximum fee limit shall be adjusted by the~~
25 ~~Treasurer based on the Consumer Price Index for the North~~
26 ~~Central Region as published by the United States Department of~~

1 ~~Labor, Bureau of Labor Statistics for the immediately preceding~~
2 ~~calendar year. Every contribution received by a financial~~
3 ~~institution for investment in the College Savings Pool shall be~~
4 ~~transferred from the financial institution to a location~~
5 ~~selected by the State Treasurer within one business day~~
6 ~~following the day that the funds must be made available in~~
7 ~~accordance with federal law. All communications from the State~~
8 ~~Treasurer to participants and donors shall reference the~~
9 ~~participating financial institution at which the account was~~
10 ~~processed.~~

11 ~~The Treasurer may invest the moneys in the College Savings~~
12 ~~Pool in the same manner and in the same types of investments~~
13 ~~provided for the investment of moneys by the Illinois State~~
14 ~~Board of Investment.~~

15 (d) Availability of the College Savings Pool. The State
16 Treasurer may permit persons, including trustees of trusts and
17 custodians under a Uniform Transfers to Minors Act or Uniform
18 Gifts to Minors Act account, and certain legal entities to be
19 account owners, including as part of a scholarship program,
20 provided that: (1) an individual, trustee or custodian must
21 have a valid social security number or taxpayer identification
22 number, be at least 18 years of age, and have a valid United
23 States street address; and (2) a legal entity must have a valid
24 taxpayer identification number and a valid United States street
25 address. Both in-state and out-of-state persons may be account
26 owners and donors, and both in-state and out-of-state

1 individuals may be designated beneficiaries in the College
2 Savings Pool.

3 (e) Fees. The State Treasurer shall establish fees to be
4 imposed on accounts to recover the costs of administration,
5 recordkeeping, and investment management. The Treasurer must
6 use his or her best efforts to keep these fees as low as
7 possible and consistent with administration of high quality
8 competitive college savings programs.

9 (f) Investments in the State. To enhance the safety and
10 liquidity of the College Savings Pool, to ensure the
11 diversification of the investment portfolio of the College
12 Savings Pool ~~pool~~, and in an effort to keep investment dollars
13 in the State of Illinois, the State Treasurer may make a
14 percentage of each account available for investment in
15 participating financial institutions doing business in the
16 State. ~~The State Treasurer may deposit with the participating~~
17 ~~financial institution at which the account was processed the~~
18 ~~following percentage of each account at a prevailing rate~~
19 ~~offered by the institution, provided that the deposit is~~
20 ~~federally insured or fully collateralized and the institution~~
21 ~~accepts the deposit: 10% of the total amount of each account~~
22 ~~for which the current age of the beneficiary is less than 7~~
23 ~~years of age, 20% of the total amount of each account for which~~
24 ~~the beneficiary is at least 7 years of age and less than 12~~
25 ~~years of age, and 50% of the total amount of each account for~~
26 ~~which the current age of the beneficiary is at least 12 years~~

1 ~~of age.~~

2 (g) Investment policy. The Treasurer shall develop,
3 publish, and implement an investment policy covering the
4 investment of the moneys in each of the programs in the College
5 Savings Pool. The policy shall be published each year as part
6 of the audit of the College Savings Pool by the Auditor
7 General, which shall be distributed to all account owners in
8 such program participants. The Treasurer shall notify all
9 account owners in such program participants in writing, and the
10 Treasurer shall publish in a newspaper of general circulation
11 in both Chicago and Springfield, any changes to the previously
12 published investment policy at least 30 calendar days before
13 implementing the policy. Any investment policy adopted by the
14 Treasurer shall be reviewed and updated if necessary within 90
15 days following the date that the State Treasurer takes office.

16 (h) Investment restrictions. An account owner may,
17 directly or indirectly, direct the investment of any
18 contributions to the College Savings Pool (or any earnings
19 thereon) only as provided in Section 529(b)(4) of the Internal
20 Revenue Code. Donors and designated beneficiaries, in those
21 capacities, may not, directly or indirectly, direct the
22 investment of any contributions to the Pool (or any earnings
23 thereon).

24 (i) Distributions. ~~Distributions Participants shall be~~
25 ~~required to use moneys distributed from~~ an account in the
26 College Savings Pool may be used for the designated

1 beneficiary's qualified expenses ~~at eligible educational~~
2 ~~institutions.~~ Funds contained in a College Savings Pool account
3 may be rolled over into an eligible ABLE account, as defined in
4 Section 16.6 of this Act, to the extent permitted by Section
5 529(c)(3)(C) of the Internal Revenue Code. To the extent a
6 nonqualified withdrawal is made from an account, the earnings
7 portion of such distribution may be treated by the Internal
8 Revenue Service as income subject to income tax and a 10%
9 federal penalty tax. ~~"Qualified expenses", as used in this~~
10 ~~Section, means the following: (i) tuition, fees, and the costs~~
11 ~~of books, supplies, and equipment required for enrollment or~~
12 ~~attendance at an eligible educational institution; (ii)~~
13 ~~expenses for special needs services, in the case of a special~~
14 ~~needs beneficiary, which are incurred in connection with such~~
15 ~~enrollment or attendance; (iii) certain expenses for the~~
16 ~~purchase of computer or peripheral equipment, as defined in~~
17 ~~Section 168 of the federal Internal Revenue Code (26 U.S.C.~~
18 ~~168), computer software, as defined in Section 197 of the~~
19 ~~federal Internal Revenue Code (26 U.S.C. 197), or internet~~
20 ~~access and related services, if such equipment, software, or~~
21 ~~services are to be used primarily by the beneficiary during any~~
22 ~~of the years the beneficiary is enrolled at an eligible~~
23 ~~educational institution, except that, such expenses shall not~~
24 ~~include expenses for computer software designed for sports,~~
25 ~~games, or hobbies, unless the software is predominantly~~
26 ~~educational in nature; and (iv) certain room and board expenses~~

1 ~~incurred while attending an eligible educational institution~~
2 ~~at least half time. "Eligible educational institutions", as~~
3 ~~used in this Section, means public and private colleges, junior~~
4 ~~colleges, graduate schools, and certain vocational~~
5 ~~institutions that are described in Section 481 of the Higher~~
6 ~~Education Act of 1965 (20 U.S.C. 1088) and that are eligible to~~
7 ~~participate in Department of Education student aid programs. A~~
8 ~~student shall be considered to be enrolled at least half time~~
9 ~~if the student is enrolled for at least half the full time~~
10 ~~academic work load for the course of study the student is~~
11 ~~pursuing as determined under the standards of the institution~~
12 ~~at which the student is enrolled.~~

13 Distributions made from the College Savings Pool ~~may pool~~
14 ~~for qualified expenses shall~~ be made directly to the eligible
15 educational institution, directly to a vendor, in the form of a
16 check payable to both the designated beneficiary and the
17 institution or vendor, ~~or~~ directly to the designated
18 beneficiary or account owner, or in any other ~~a~~ manner that is
19 permissible under Section 529 of the Internal Revenue Code. ~~Any~~
20 ~~moneys that are distributed in any other manner or that are~~
21 ~~used for expenses other than qualified expenses at an eligible~~
22 ~~educational institution shall be subject to a penalty of 10% of~~
23 ~~the earnings unless the beneficiary dies, becomes a person with~~
24 ~~a disability, or receives a scholarship that equals or exceeds~~
25 ~~the distribution. Penalties shall be withheld at the time the~~
26 ~~distribution is made.~~

1 (j) Contributions. Contributions to the College Savings
2 Pool shall be as follows:

3 (1) Contributions to an account in the College Savings
4 Pool may be made only in cash.

5 (2) The Treasurer shall limit the contributions that
6 may be made to the College Savings Pool on behalf of a
7 designated beneficiary, as required under Section 529 of
8 the Internal Revenue Code, to prevent contributions for the
9 benefit of a designated beneficiary in excess of those
10 necessary to provide for the qualified expenses of the
11 designated beneficiary based on the limitations
12 established by the Internal Revenue Service. The Pool shall
13 not permit any additional contributions to an account as
14 soon as the aggregate accounts for the designated
15 beneficiary in the Pool reach a specified account balance
16 limit applicable to all designated beneficiaries.

17 (3) The contributions made on behalf of a designated
18 beneficiary who is also a beneficiary under the Illinois
19 Prepaid Tuition Program shall be further restricted to
20 ensure that the contributions in both programs combined do
21 not exceed the limit established for the College Savings
22 Pool.

23 (k) Illinois Student Assistance Commission. The Treasurer
24 shall provide the Illinois Student Assistance Commission each
25 year at a time designated by the Commission, an electronic
26 report of all account owner ~~participant~~ accounts in the

1 Treasurer's College Savings Pool, listing total contributions
2 and disbursements from each individual account during the
3 previous calendar year. As soon thereafter as is possible
4 following receipt of the Treasurer's report, the Illinois
5 Student Assistance Commission shall, in turn, provide the
6 Treasurer with an electronic report listing those College
7 Savings Pool account owners ~~participants~~ who also participate
8 in the State's prepaid tuition program, administered by the
9 Commission. The Commission shall be responsible for filing any
10 combined tax reports regarding State qualified savings
11 programs required by the United States Internal Revenue
12 Service.

13 The Treasurer shall work with the Illinois Student
14 Assistance Commission to coordinate the marketing of the
15 College Savings Pool and the Illinois Prepaid Tuition Program
16 when considered beneficial by the Treasurer and the Director of
17 the Illinois Student Assistance Commission. ~~The Treasurer's~~
18 ~~office shall not publicize or otherwise market the College~~
19 ~~Savings Pool or accept any moneys into the College Savings Pool~~
20 ~~prior to March 1, 2000.~~ The Treasurer shall provide a separate
21 accounting for each designated beneficiary to each account
22 owner ~~participant, the Illinois Student Assistance Commission,~~
23 ~~and the participating financial institution at which the~~
24 ~~account was processed.~~

25 (1) Prohibition; exemption. No interest in the program, or
26 any portion thereof, may be used ~~pledged~~ as security for a

1 loan. Moneys held in an account invested in the ~~Illinois~~
2 College Savings Pool shall be exempt from all claims of the
3 creditors of the account owner ~~participant~~, donor, or
4 designated beneficiary of that account, except for the
5 non-exempt College Savings Pool transfers to or from the
6 account as defined under subsection (j) of Section 12-1001 of
7 the Code of Civil Procedure ~~(735 ILCS 5/12-1001(j))~~.

8 (m) Taxation. The assets of the College Savings Pool and
9 its income and operation shall be exempt from all taxation by
10 the State of Illinois and any of its subdivisions. The accrued
11 earnings on investments in the Pool once disbursed on behalf of
12 a designated beneficiary shall be similarly exempt from all
13 taxation by the State of Illinois and its subdivisions, so long
14 as they are used for qualified expenses. Contributions to a
15 College Savings Pool account during the taxable year may be
16 deducted from adjusted gross income as provided in Section 203
17 of the Illinois Income Tax Act. The provisions of this
18 paragraph are exempt from Section 250 of the Illinois Income
19 Tax Act.

20 (n) Rules. The Treasurer shall adopt rules he or she
21 considers necessary for the efficient administration of the
22 College Savings Pool. The rules shall provide whatever
23 additional parameters and restrictions are necessary to ensure
24 that the College Savings Pool meets all of the requirements for
25 a qualified state tuition program under Section 529 of the
26 Internal Revenue Code ~~(26 U.S.C. 529)~~.

1 The rules shall provide for the administration expenses of
2 the Pool ~~pool~~ to be paid from its earnings and for the
3 investment earnings in excess of the expenses ~~and all moneys~~
4 ~~collected as penalties~~ to be credited at least ~~or paid~~ monthly
5 to the account owners ~~several participants~~ in the Pool ~~pool~~ in
6 a manner which equitably reflects the differing amounts of
7 their respective investments in the Pool ~~pool~~ and the differing
8 periods of time for which those amounts were in the custody of
9 the Pool ~~pool~~.

10 The ~~Also, the~~ rules shall require the maintenance of
11 records that enable the Treasurer's office to produce a report
12 for each account in the Pool ~~pool~~ at least annually that
13 documents the account balance and investment earnings.

14 Notice of any proposed amendments to the rules and
15 regulations shall be provided to all account owners
16 ~~participants~~ prior to adoption. Amendments to rules and
17 regulations shall apply only to contributions made after the
18 adoption of the amendment.

19 (o) Bond. ~~The~~ ~~Upon creating the College Savings Pool,~~ ~~the~~
20 State Treasurer shall give bond with at least one surety ~~2 or~~
21 ~~more sufficient sureties~~, payable to and for the benefit of the
22 account owners ~~participants~~ in the College Savings Pool, in the
23 penal sum of \$10,000,000 ~~\$1,000,000~~, conditioned upon the
24 faithful discharge of his or her duties in relation to the
25 College Savings Pool.

26 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01; 91-943,

1 eff. 2-9-01; 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626,
2 eff. 7-11-02; 93-812, eff. 1-1-05; 95-23, eff. 8-3-07; 95-306,
3 eff. 1-1-08; 95-521, eff. 8-28-07; 95-876, eff. 8-21-08;
4 97-233, eff. 8-1-11; 97-537, eff. 8-23-11; 97-813, eff.
5 7-13-12; 99-143, eff. 7-27-15; 100-161, eff. 8-18-17; revised
6 10-2-17.)

7 Section 10. The Illinois Income Tax Act is amended by
8 changing Section 203 as follows:

9 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

10 Sec. 203. Base income defined.

11 (a) Individuals.

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

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

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

1 Code;

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

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

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

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

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

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

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

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

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which the
23 taxpayer may claim a depreciation deduction for
24 federal income tax purposes and for which the taxpayer
25 was allowed in any taxable year to make a subtraction
26 modification under subparagraph (Z), then an amount

1 equal to that subtraction modification.

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

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

1 of the Internal Revenue Code and amounts included in
2 gross income under Section 78 of the Internal Revenue
3 Code) with respect to the stock of the same person to
4 whom the interest was paid, accrued, or incurred.

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 or
4 agreement entered into at arm's-length rates and
5 terms and the principal purpose for the payment is
6 not federal or Illinois tax avoidance; or

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

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

23 (D-18) An amount equal to the amount of intangible
24 expenses and costs otherwise allowed as a deduction in
25 computing base income, and that were paid, accrued, or
26 incurred, directly or indirectly, (i) for taxable

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

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

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 is
20 subject in a foreign country or state, other than a
21 state which requires mandatory unitary reporting,
22 to a tax on or measured by net income with respect
23 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 the
17 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 alternative
21 method of apportionment under Section 304(f);

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

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

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

1 preceding sentence does not apply to the extent that
2 the same dividends caused a reduction to the addition
3 modification required under Section 203(a)(2)(D-17) or
4 Section 203(a)(2)(D-18) of this Act.

5 (D-20) For taxable years beginning on or after
6 January 1, 2002 and ending on or before December 31,
7 2006, in the case of a distribution from a qualified
8 tuition program under Section 529 of the Internal
9 Revenue Code, other than (i) a distribution from a
10 College Savings Pool created under Section 16.5 of the
11 State Treasurer Act or (ii) a distribution from the
12 Illinois Prepaid Tuition Trust Fund, an amount equal to
13 the amount excluded from gross income under Section
14 529(c)(3)(B). For taxable years beginning on or after
15 January 1, 2007, in the case of a distribution from a
16 qualified tuition program under Section 529 of the
17 Internal Revenue Code, other than (i) a distribution
18 from a College Savings Pool created under Section 16.5
19 of the State Treasurer Act, (ii) a distribution from
20 the Illinois Prepaid Tuition Trust Fund, or (iii) a
21 distribution from a qualified tuition program under
22 Section 529 of the Internal Revenue Code that (I)
23 adopts and determines that its offering materials
24 comply with the College Savings Plans Network's
25 disclosure principles and (II) has made reasonable
26 efforts to inform in-state residents of the existence

1 of in-state qualified tuition programs by informing
2 Illinois residents directly and, where applicable, to
3 inform financial intermediaries distributing the
4 program to inform in-state residents of the existence
5 of in-state qualified tuition programs at least
6 annually, an amount equal to the amount excluded from
7 gross income under Section 529(c)(3)(B).

8 For the purposes of this subparagraph (D-20), a
9 qualified tuition program has made reasonable efforts
10 if it makes disclosures (which may use the term
11 "in-state program" or "in-state plan" and need not
12 specifically refer to Illinois or its qualified
13 programs by name) (i) directly to prospective
14 participants in its offering materials or makes a
15 public disclosure, such as a website posting; and (ii)
16 where applicable, to intermediaries selling the
17 out-of-state program in the same manner that the
18 out-of-state program distributes its offering
19 materials;

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

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

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

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

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

5 and by deducting from the total so obtained the sum of the
6 following amounts:

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

1 resident by reason of being a member of any component
2 of the Armed Forces of the United States and in respect
3 of any compensation paid or accrued to a resident who
4 as a governmental employee was a prisoner of war or
5 missing in action, and in respect of any compensation
6 paid to a resident in 2001 or thereafter by reason of
7 being a member of the Illinois National Guard or,
8 beginning with taxable years ending on or after
9 December 31, 2007, the National Guard of any other
10 state. The provisions of this subparagraph (E) are
11 exempt from the provisions of Section 250;

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

23 (G) The valuation limitation amount;

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

1 (I) An amount equal to all amounts included in such
2 total pursuant to the provisions of Section 111 of the
3 Internal Revenue Code as a recovery of items previously
4 deducted from adjusted gross income in the computation
5 of taxable income;

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

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

23 (L) For taxable years ending after December 31,
24 1983, an amount equal to all social security benefits
25 and railroad retirement benefits included in such
26 total pursuant to Sections 72(r) and 86 of the Internal

1 Revenue Code;

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

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

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

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

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

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

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

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

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

14 (V) Beginning with tax years ending on or after
15 December 31, 1995 and ending with tax years ending on
16 or before December 31, 2004, an amount equal to the
17 amount paid by a taxpayer who is a self-employed
18 taxpayer, a partner of a partnership, or a shareholder
19 in a Subchapter S corporation for health insurance or
20 long-term care insurance for that taxpayer or that
21 taxpayer's spouse or dependents, to the extent that the
22 amount paid for that health insurance or long-term care
23 insurance may be deducted under Section 213 of the
24 Internal Revenue Code, has not been deducted on the
25 federal income tax return of the taxpayer, and does not
26 exceed the taxable income attributable to that

1 taxpayer's income, self-employment income, or
2 Subchapter S corporation income; except that no
3 deduction shall be allowed under this item (V) if the
4 taxpayer is eligible to participate in any health
5 insurance or long-term care insurance plan of an
6 employer of the taxpayer or the taxpayer's spouse. The
7 amount of the health insurance and long-term care
8 insurance subtracted under this item (V) shall be
9 determined by multiplying total health insurance and
10 long-term care insurance premiums paid by the taxpayer
11 times a number that represents the fractional
12 percentage of eligible medical expenses under Section
13 213 of the Internal Revenue Code of 1986 not actually
14 deducted on the taxpayer's federal income tax return;

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

20 (X) For taxable year 1999 and thereafter, an amount
21 equal to the amount of any (i) distributions, to the
22 extent includible in gross income for federal income
23 tax purposes, made to the taxpayer because of his or
24 her status as 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 and (ii) items of

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

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

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

1 thereafter, an amount equal to "x", where:

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

9 (2) for taxable years ending on or before
10 December 31, 2005, "x" equals "y" multiplied by 30
11 and then divided by 70 (or "y" multiplied by
12 0.429); and

13 (3) for taxable years ending after December
14 31, 2005:

15 (i) for property on which a bonus
16 depreciation deduction of 30% of the adjusted
17 basis was taken, "x" equals "y" multiplied by
18 30 and then divided by 70 (or "y" multiplied by
19 0.429); and

20 (ii) for property on which a bonus
21 depreciation deduction of 50% of the adjusted
22 basis was taken, "x" equals "y" multiplied by
23 1.0.

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

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

6 (AA) If the taxpayer sells, transfers, abandons,
7 or otherwise disposes of property for which the
8 taxpayer was required in any taxable year to make an
9 addition modification under subparagraph (D-15), then
10 an amount equal to that addition modification.

11 If the taxpayer continues to own property through
12 the last day of the last tax year for which the
13 taxpayer may claim a depreciation deduction for
14 federal income tax purposes and for which the taxpayer
15 was required in any taxable year to make an addition
16 modification under subparagraph (D-15), then an amount
17 equal to that addition modification.

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

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

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

26 (CC) 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 with
3 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 that 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 that
11 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 that
15 addition modification. This subparagraph (CC) is
16 exempt from the provisions of Section 250;

17 (DD) 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 for
22 the fact that 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(a)(2)(D-17) for
8 interest paid, accrued, or incurred, directly or
9 indirectly, to the same person. This subparagraph (DD)
10 is exempt from the provisions of Section 250;

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

1 taxable year under Section 203(a)(2)(D-18) for
2 intangible expenses and costs paid, accrued, or
3 incurred, directly or indirectly, to the same foreign
4 person. This subparagraph (EE) is exempt from the
5 provisions of Section 250;

6 (FF) An amount equal to any amount awarded to the
7 taxpayer during the taxable year by the Court of Claims
8 under subsection (c) of Section 8 of the Court of
9 Claims Act for time unjustly served in a State prison.
10 This subparagraph (FF) is exempt from the provisions of
11 Section 250; and

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

1 (b) Corporations.

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

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

8 (A) An amount equal to all amounts paid or accrued
9 to the taxpayer as interest and all distributions
10 received from regulated investment companies during
11 the taxable year to the extent excluded from gross
12 income in the computation of taxable income;

13 (B) An amount equal to the amount of tax imposed by
14 this Act to the extent deducted from gross income in
15 the computation of taxable income for the taxable year;

16 (C) In the case of a regulated investment company,
17 an amount equal to the excess of (i) the net long-term
18 capital gain for the taxable year, over (ii) the amount
19 of the capital gain dividends designated as such in
20 accordance with Section 852(b)(3)(C) of the Internal
21 Revenue Code and any amount designated under Section
22 852(b)(3)(D) of the Internal Revenue Code,
23 attributable to the taxable year (this amendatory Act
24 of 1995 (Public Act 89-89) is declarative of existing
25 law and is not a new enactment);

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

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

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

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

1 such carryback or carryforward;

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

9 (E-5) For taxable years ending after December 31,
10 1997, an amount equal to any eligible remediation costs
11 that the corporation deducted in computing adjusted
12 gross income and for which the corporation claims a
13 credit under subsection (l) of Section 201;

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

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

26 If the taxpayer continues to own property through

1 the last day of the last tax year for which the
2 taxpayer may claim a depreciation deduction for
3 federal income tax purposes and for which the taxpayer
4 was allowed in any taxable year to make a subtraction
5 modification under subparagraph (T), then an amount
6 equal to that subtraction modification.

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

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

1 extent that dividends were included in base income of
2 the unitary group for the same taxable year and
3 received by the taxpayer or by a member of the
4 taxpayer's unitary business group (including amounts
5 included in gross income pursuant to Sections 951
6 through 964 of the Internal Revenue Code and amounts
7 included in gross income under Section 78 of the
8 Internal Revenue Code) with respect to the stock of the
9 same person to whom the interest was paid, accrued, or
10 incurred.

11 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

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

1 by which the Department will utilize its authority
2 under Section 404 of this Act;

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

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

22 This paragraph shall not apply to the following:

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

1 state which requires mandatory unitary reporting,
2 to a tax on or measured by net income with respect
3 to such item; or

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

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

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

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

1 method of apportionment under Section 304(f);

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

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

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

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

16 (E-16) 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 (E-17) 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 and by deducting from the total so obtained the sum of the
25 following amounts:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 paid under Sections 951 through 965 of the Internal
2 Revenue Code, exceed the amount of the modification
3 provided under subparagraph (G) of paragraph (2) of
4 this subsection (b) which is related to such dividends,
5 and including, for taxable years ending on or after
6 December 31, 2008, dividends received from a captive
7 real estate investment trust; plus (ii) 100% of the
8 amount by which dividends, included in taxable income
9 and received, including, for taxable years ending on or
10 after December 31, 1988, dividends received or deemed
11 received or paid or deemed paid under Sections 951
12 through 964 of the Internal Revenue Code and including,
13 for taxable years ending on or after December 31, 2008,
14 dividends received from a captive real estate
15 investment trust, from any such corporation specified
16 in clause (i) that would but for the provisions of
17 Section 1504 (b) (3) of the Internal Revenue Code be
18 treated as a member of the affiliated group which
19 includes the dividend recipient, exceed the amount of
20 the modification provided under subparagraph (G) of
21 paragraph (2) of this subsection (b) which is related
22 to such dividends. This subparagraph (O) is exempt from
23 the provisions of Section 250 of this Act;

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

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

6 (R) On and after July 20, 1999, in the case of an
7 attorney-in-fact with respect to whom an interinsurer
8 or a reciprocal insurer has made the election under
9 Section 835 of the Internal Revenue Code, 26 U.S.C.
10 835, an amount equal to the excess, if any, of the
11 amounts paid or incurred by that interinsurer or
12 reciprocal insurer in the taxable year to the
13 attorney-in-fact over the deduction allowed to that
14 interinsurer or reciprocal insurer with respect to the
15 attorney-in-fact under Section 835(b) of the Internal
16 Revenue Code for the taxable year; the provisions of
17 this subparagraph are exempt from the provisions of
18 Section 250;

19 (S) For taxable years ending on or after December
20 31, 1997, in the case of a Subchapter S corporation, an
21 amount equal to all amounts of income allocable to a
22 shareholder subject to the Personal Property Tax
23 Replacement Income Tax imposed by subsections (c) and
24 (d) of Section 201 of this Act, including amounts
25 allocable to organizations exempt from federal income
26 tax by reason of Section 501(a) of the Internal Revenue

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

3 (T) For taxable years 2001 and thereafter, for the
4 taxable year in which the bonus depreciation deduction
5 is taken on the taxpayer's federal income tax return
6 under subsection (k) of Section 168 of the Internal
7 Revenue Code and for each applicable taxable year
8 thereafter, an amount equal to "x", where:

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

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

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

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

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

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

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

18 If the taxpayer continues to own property through
19 the last day of the last tax year for which the
20 taxpayer may claim a depreciation deduction for
21 federal income tax purposes and for which the taxpayer
22 was required in any taxable year to make an addition
23 modification under subparagraph (E-10), then an amount
24 equal to that addition modification.

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

1 piece of property.

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

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

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

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

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

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

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 taxable
10 income of the taxpayer, computed without regard to
11 Section 965(e) (2) (A) of the Internal Revenue Code, and
12 without regard to any net operating loss deduction.
13 This subparagraph (Z) is exempt from the provisions of
14 Section 250.

15 (3) Special rule. For purposes of paragraph (2) (A),
16 "gross income" in the case of a life insurance company, for
17 tax years ending on and after December 31, 1994, and prior
18 to December 31, 2011, shall mean the gross investment
19 income for the taxable year and, for tax years ending on or
20 after December 31, 2011, shall mean all amounts included in
21 life insurance gross income under Section 803(a) (3) of the
22 Internal Revenue Code.

23 (c) Trusts and estates.

24 (1) In general. In the case of a trust or estate, base
25 income means an amount equal to the taxpayer's taxable

1 income for the taxable year as modified by paragraph (2).

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

6 (A) An amount equal to all amounts paid or accrued
7 to the taxpayer as interest or dividends during the
8 taxable year to the extent excluded from gross income
9 in the computation of taxable income;

10 (B) In the case of (i) an estate, \$600; (ii) a
11 trust which, under its governing instrument, is
12 required to distribute all of its income currently,
13 \$300; and (iii) any other trust, \$100, but in each such
14 case, only to the extent such amount was deducted in
15 the computation of taxable income;

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

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

23 (E) For taxable years in which a net operating loss
24 carryback or carryforward from a taxable year ending
25 prior to December 31, 1986 is an element of taxable
26 income under paragraph (1) of subsection (e) or

1 subparagraph (E) of paragraph (2) of subsection (e),
2 the amount by which addition modifications other than
3 those provided by this subparagraph (E) exceeded
4 subtraction modifications in such taxable year, with
5 the following limitations applied in the order that
6 they are listed:

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

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

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

1 (F) For taxable years ending on or after January 1,
2 1989, an amount equal to the tax deducted pursuant to
3 Section 164 of the Internal Revenue Code if the trust
4 or estate is claiming the same tax for purposes of the
5 Illinois foreign tax credit under Section 601 of this
6 Act;

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

11 (G-5) For taxable years ending after December 31,
12 1997, an amount equal to any eligible remediation costs
13 that the trust or estate deducted in computing adjusted
14 gross income and for which the trust or estate claims a
15 credit under subsection (l) of Section 201;

16 (G-10) For taxable years 2001 and thereafter, an
17 amount equal to the bonus depreciation deduction taken
18 on the taxpayer's federal income tax return for the
19 taxable year under subsection (k) of Section 168 of the
20 Internal Revenue Code; and

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

1 subparagraph (R) with respect to that property.

2 If the taxpayer continues to own property through
3 the last day of the last tax year for which the
4 taxpayer may claim a depreciation deduction for
5 federal income tax purposes and for which the taxpayer
6 was allowed in any taxable year to make a subtraction
7 modification under subparagraph (R), then an amount
8 equal to that subtraction modification.

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

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

1 subsections of Section 304. The addition modification
2 required by this subparagraph shall be reduced to the
3 extent that dividends were included in base income of
4 the unitary group for the same taxable year and
5 received by the taxpayer or by a member of the
6 taxpayer's unitary business group (including amounts
7 included in gross income pursuant to Sections 951
8 through 964 of the Internal Revenue Code and amounts
9 included in gross income under Section 78 of the
10 Internal Revenue Code) with respect to the stock of the
11 same person to whom the interest was paid, accrued, or
12 incurred.

13 This paragraph shall not apply to the following:

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

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

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

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

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

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

15 (iv) 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
24 otherwise allowed under Section 404 of this Act for
25 any tax year beginning after the effective date of
26 this amendment provided such adjustment is made

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

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

24 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 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) of Section 168 of the Internal Revenue Code. This

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

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

8 If the taxpayer continues to own property through
9 the last day of the last tax year for which the
10 taxpayer may claim a depreciation deduction for
11 federal income tax purposes and for which the taxpayer
12 was required in any taxable year to make an addition
13 modification under subparagraph (G-10), then an amount
14 equal to that addition modification.

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

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

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

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

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

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

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

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

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

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

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

8 (d) Partnerships.

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

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

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

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

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

25 (D) An amount equal to the amount of the capital

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

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

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

16 If the taxpayer continues to own property through
17 the last day of the last tax year for which the
18 taxpayer may claim a depreciation deduction for
19 federal income tax purposes and for which the taxpayer
20 was allowed in any taxable year to make a subtraction
21 modification under subparagraph (O), then an amount
22 equal to that subtraction modification.

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

26 (D-7) An amount equal to the amount otherwise

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

1 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 who
4 is subject in a foreign country or state, other
5 than a state which requires mandatory unitary
6 reporting, to a tax on or measured by net income
7 with respect to such interest; or

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

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

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

23 (iii) the taxpayer can establish, based on
24 clear and convincing evidence, that the interest
25 paid, accrued, or incurred relates to a contract or
26 agreement entered into at arm's-length rates and

1 terms and the principal purpose for the payment is
2 not federal or Illinois tax avoidance; or

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

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

19 (D-8) An amount equal to the amount of intangible
20 expenses and costs otherwise allowed as a deduction in
21 computing base income, and that were paid, accrued, or
22 incurred, directly or indirectly, (i) for taxable
23 years ending on or after December 31, 2004, to a
24 foreign person who would be a member of the same
25 unitary business group but for the fact that the
26 foreign person's business activity outside the United

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

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

12 This paragraph shall not apply to the following:

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

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

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

1 intangible expense or cost to a person that is
2 not a related member, and

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

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

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

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

1 (D-10) An amount equal to the credit allowable to
2 the taxpayer under Section 218(a) of this Act,
3 determined without regard to Section 218(c) of this
4 Act;

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

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

11 (E) The valuation limitation amount;

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

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

25 (H) Any income of the partnership which
26 constitutes personal service income as defined in

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

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

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

1 December 31, 2008, any amount included in gross income
2 under Section 87 of the Internal Revenue Code; the
3 provisions of this subparagraph are exempt from the
4 provisions of Section 250;

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

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

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

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

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

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

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

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

21 (3) for taxable years ending after December
22 31, 2005:

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

1 0.429); and
2 (ii) for property on which a bonus
3 depreciation deduction of 50% of the adjusted
4 basis was taken, "x" equals "y" multiplied by
5 1.0.

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

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

19 If the taxpayer continues to own property through
20 the last day of the last tax year for which the
21 taxpayer may claim a depreciation deduction for
22 federal income tax purposes and for which the taxpayer
23 was required in any taxable year to make an addition
24 modification under subparagraph (D-5), then an amount
25 equal to that addition modification.

26 The taxpayer is allowed to take the deduction under

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

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

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

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

1 the fact that the foreign person's business activity
2 outside the United States is 80% or more of that
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, but not to exceed the
11 addition modification required to be made for the same
12 taxable year under Section 203(d)(2)(D-7) for interest
13 paid, accrued, or incurred, directly or indirectly, to
14 the same person. This subparagraph (R) is exempt from
15 Section 250;

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

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

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

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

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

1 subparagraphs for any other taxable year to which the
2 taxable income less than zero (net operating loss) is
3 applied under Section 172 of the Internal Revenue Code or
4 under subparagraph (E) of paragraph (2) of this subsection
5 (e) applied in conjunction with Section 172 of the Internal
6 Revenue Code.

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

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

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

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

25 (D) Real estate investment trusts. In the case of a
26 real estate investment trust subject to the tax imposed

1 by Section 857 of the Internal Revenue Code, real
2 estate investment trust taxable income;

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

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

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

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

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

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

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

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

7 (f) Valuation limitation amount.

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

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

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

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

25 (A) If the fair market value of property referred

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

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

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

25 (g) Double deductions. Unless specifically provided

1 otherwise, nothing in this Section shall permit the same item
2 to be deducted more than once.

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

12 (Source: P.A. 100-22, eff. 7-6-17.)

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.