

HB3425



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB3425

Introduced 2/22/2021, by Rep. Will Guzzardi

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates an addition modification in an amount equal to certain gains attributable to Opportunity Funds under certain provisions of the Internal Revenue Code. Effective immediately.

LRB102 14695 HLH 20048 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 in gross income under Section 78 of the Internal
2 Revenue Code) with respect to the stock of the same
3 person to whom the interest was paid, accrued, or
4 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
4 or agreement entered into at arm's-length rates
5 and terms and the principal purpose for the
6 payment is not federal or Illinois tax avoidance;
7 or

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

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

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

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

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

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

1 stock of the same person to whom the premiums and costs
2 were directly or indirectly paid, incurred, or
3 accrued. The preceding sentence does not apply to the
4 extent that the same dividends caused a reduction to
5 the addition modification required under Section
6 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this
7 Act;:-

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

1 comply with the College Savings Plans Network's
2 disclosure principles and (II) has made reasonable
3 efforts to inform in-state residents of the existence
4 of in-state qualified tuition programs by informing
5 Illinois residents directly and, where applicable, to
6 inform financial intermediaries distributing the
7 program to inform in-state residents of the existence
8 of in-state qualified tuition programs at least
9 annually, an amount equal to the amount excluded from
10 gross income under Section 529(c)(3)(B).

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

23 (D-20.5) For taxable years beginning on or after
24 January 1, 2018, in the case of a distribution from a
25 qualified ABLE program under Section 529A of the
26 Internal Revenue Code, other than a distribution from

1 a qualified ABLE program created under Section 16.6 of
2 the State Treasurer Act, an amount equal to the amount
3 excluded from gross income under Section 529A(c) (1) (B)
4 of the Internal Revenue Code;

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

12 (D-21.5) For taxable years beginning on or after
13 January 1, 2018, in the case of the transfer of moneys
14 from a qualified tuition program under Section 529 or
15 a qualified ABLE program under Section 529A of the
16 Internal Revenue Code that is administered by this
17 State to an ABLE account established under an
18 out-of-state ABLE account program, an amount equal to
19 the contribution component of the transferred amount
20 that was previously deducted from base income under
21 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this
22 Section;

23 (D-22) For taxable years beginning on or after
24 January 1, 2009, and prior to January 1, 2018, in the
25 case of a nonqualified withdrawal or refund of moneys
26 from a qualified tuition program under Section 529 of

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

26 (D-23) An amount equal to the credit allowable to

1 the taxpayer under Section 218(a) of this Act,
2 determined without regard to Section 218(c) of this
3 Act;

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

8 (D-25) For taxable years beginning on or after
9 January 1, 2021, the amount of gain that would be
10 included for federal income tax purposes without
11 regard to section 1400Z-2(b) of the Internal Revenue
12 Code; the adjustment made in this subparagraph does
13 not result in a difference in basis of the affected
14 assets for State and federal income tax purposes; the
15 purpose of this subparagraph is to decouple from the
16 deferral of gains reinvested into an Opportunity Fund
17 available under federal law; this subparagraph is
18 exempt from the provisions of Section 250;

19 (D-26) For taxable years beginning on or after
20 January 1, 2021, the amount of gain that would be
21 included in the taxpayer's federal taxable income but
22 for the step-up in basis under section 1400Z-2(c) of
23 the Internal Revenue Code; the purpose of this
24 subparagraph is to decouple from the exclusion of
25 gains from the sale or exchange of an investment in an
26 Opportunity Fund available under federal law; this

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

3 and by deducting from the total so obtained the sum of the
4 following amounts:

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

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

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

22 (G) The valuation limitation amount;

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

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

1 such total pursuant to the provisions of Section 111
2 of the Internal Revenue Code as a recovery of items
3 previously deducted from adjusted gross income in the
4 computation of taxable income;

5 (J) 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
10 substantially all of its operations in a River Edge
11 Redevelopment Zone or zones. This subparagraph (J) is
12 exempt from the provisions of Section 250;

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

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

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

18 (N) An amount equal to all amounts included in
19 such total which are exempt from taxation by this
20 State either by reason of its statutes or Constitution
21 or by reason of the Constitution, treaties or statutes
22 of the 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
26 net 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
13 such total, received by the taxpayer as an
14 acceleration in the payment of life, endowment or
15 annuity benefits in advance of the time they would
16 otherwise be payable as an indemnity for a terminal
17 illness;

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

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

1 as provided in that Act;

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

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

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

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

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

22 (X) For taxable year 1999 and thereafter, an
23 amount equal to the amount of any (i) distributions,
24 to the extent includible in gross income for federal
25 income tax purposes, made to the taxpayer because of
26 his or her status as a victim of persecution for racial

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

1 for federal income tax purposes. This paragraph is
2 exempt from the provisions of Section 250;

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

24 (Z) For taxable years 2001 and thereafter, for the
25 taxable year in which the bonus depreciation deduction
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal
2 Revenue Code and for each applicable taxable year
3 thereafter, an amount equal to "x", where:

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

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

15 (3) for taxable years ending after December
16 31, 2005:

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

22 (ii) for property on which a bonus
23 depreciation deduction of 50% of the adjusted
24 basis was taken, "x" equals "y" multiplied by
25 1.0.

26 The aggregate amount deducted under this

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

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

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

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

23 This subparagraph (AA) is exempt from the
24 provisions of Section 250;

25 (BB) Any amount included in adjusted gross income,
26 other than salary, received by a driver in a

1 ridesharing arrangement using a motor vehicle;

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

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

1 taxable years ending on or after December 31, 2008, to
2 a person who would be a member of the same unitary
3 business group but for the fact that the person is
4 prohibited under Section 1501(a)(27) from being
5 included in the unitary business group because he or
6 she is ordinarily required to apportion business
7 income under different subsections of Section 304, but
8 not to exceed the addition modification required to be
9 made for the same taxable year under Section
10 203(a)(2)(D-17) for interest paid, accrued, or
11 incurred, directly or indirectly, to the same person.
12 This subparagraph (DD) is exempt from the provisions
13 of Section 250;

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

1 she is ordinarily required to apportion business
2 income under different subsections of Section 304, but
3 not to exceed the addition modification required to be
4 made for the same taxable year under Section
5 203(a)(2)(D-18) for intangible expenses and costs
6 paid, accrued, or incurred, directly or indirectly, to
7 the same foreign person. This subparagraph (EE) is
8 exempt from the provisions of Section 250;

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

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

1 add back to income the amount subtracted by the
2 taxpayer pursuant to this subparagraph (GG). This
3 subparagraph (GG) is exempt from the provisions of
4 Section 250; and

5 (HH) For taxable years beginning on or after
6 January 1, 2018 and prior to January 1, 2023, a maximum
7 of \$10,000 contributed in the taxable year to a
8 qualified ABLE account under Section 16.6 of the State
9 Treasurer Act, except that amounts excluded from gross
10 income under Section 529(c)(3)(C)(i) or Section
11 529A(c)(1)(C) of the Internal Revenue Code shall not
12 be considered moneys contributed under this
13 subparagraph (HH). For purposes of this subparagraph
14 (HH), contributions made by an employer on behalf of
15 an employee, or matching contributions made by an
16 employee, shall be treated as made by the employee.

17 (b) Corporations.

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

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

24 (A) An amount equal to all amounts paid or accrued
25 to the taxpayer as interest and all distributions

1 received from regulated investment companies during
2 the taxable year to the extent excluded from gross
3 income in the computation of taxable income;

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

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

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

22 (E) For taxable years in which a net operating
23 loss carryback or carryforward from a taxable year
24 ending prior to December 31, 1986 is an element of
25 taxable income under paragraph (1) of subsection (e)
26 or subparagraph (E) of paragraph (2) of subsection

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

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

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

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

26 (E-5) For taxable years ending after December 31,

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

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

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

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

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

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

1 accrued, or incurred.

2 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) the taxpayer can establish, based on
25 clear and convincing evidence, that the interest
26 paid, accrued, or incurred relates to a contract

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

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

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

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

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

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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

1 extent that the same dividends caused a reduction to
2 the addition modification required under Section
3 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this
4 Act;

5 (E-15) For taxable years beginning after December
6 31, 2008, any deduction for dividends paid by a
7 captive real estate investment trust that is allowed
8 to a real estate investment trust under Section
9 857(b)(2)(B) of the Internal Revenue Code for
10 dividends paid;

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

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

19 (E-18) for taxable years beginning after December
20 31, 2018, an amount equal to the deduction allowed
21 under Section 250(a)(1)(A) of the Internal Revenue
22 Code for the taxable year.

23 (E-19) For taxable years beginning on or after
24 January 1, 2021, the amount of gain that would be
25 included for federal income tax purposes without
26 regard to section 1400Z-2(b) of the Internal Revenue

1 Code; the adjustment made in this subparagraph does
2 not result in a difference in basis of the affected
3 assets for State and federal income tax purposes; the
4 purpose of this subparagraph is to decouple from the
5 deferral of gains reinvested into an Opportunity Fund
6 available under federal law; this subparagraph is
7 exempt from the provisions of Section 250;

8 (E-10) For taxable years beginning on or after
9 January 1, 2021, the amount of gain that would be
10 included in the taxpayer's federal taxable income but
11 for the step-up in basis under section 1400Z-2(c) of
12 the Internal Revenue Code; the purpose of this
13 subparagraph is to decouple from the exclusion of
14 gains from the sale or exchange of an investment in an
15 Opportunity Fund available under federal law; this
16 subparagraph is exempt from the provisions of Section
17 250;

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

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

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

25 (H) In the case of a regulated investment company,
26 an amount equal to the amount of exempt interest

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

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

1 deduction for an increase in reserves for the tax
2 year); the provisions of this subparagraph are exempt
3 from the provisions of Section 250;

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

13 (K) 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 (K) is exempt from
20 the provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

16 (S) For taxable years ending on or after December
17 31, 1997, in the case of a Subchapter S corporation, an
18 amount equal to all amounts of income allocable to a
19 shareholder subject to the Personal Property Tax
20 Replacement Income Tax imposed by subsections (c) and
21 (d) of Section 201 of this Act, including amounts
22 allocable to organizations exempt from federal income
23 tax by reason of Section 501(a) of the Internal
24 Revenue Code. This subparagraph (S) is exempt from the
25 provisions of Section 250;

26 (T) For taxable years 2001 and thereafter, for the

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

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

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

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

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

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

1 1.0.

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

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

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

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

25 This subparagraph (U) is exempt from the
26 provisions of Section 250;

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

26 (W) An amount equal to the interest income taken

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

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

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

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

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

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

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

22 (c) Trusts and estates.

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

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

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

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

15 (C) An amount equal to the amount of tax imposed by
16 this Act to the extent deducted from gross income in
17 the computation of taxable income for the taxable
18 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
24 loss carryback or carryforward from a taxable year
25 ending prior to December 31, 1986 is an element of
26 taxable income under paragraph (1) of subsection (e)

1 or subparagraph (E) of paragraph (2) of subsection
2 (e), the amount by which addition modifications other
3 than 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
11 of addition modification under this subparagraph
12 (E) which related to that net operating loss and
13 which was taken into account in calculating the
14 base 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
21 operating loss carryback or carryforward from more
22 than one other taxable year ending prior to December
23 31, 1986, the addition modification provided in this
24 subparagraph (E) shall be the sum of the amounts
25 computed independently under the preceding provisions
26 of this subparagraph (E) for each such taxable year;

1 (F) For taxable years ending on or after January
2 1, 1989, an amount equal to the tax deducted pursuant
3 to Section 164 of the Internal Revenue Code if the
4 trust or estate is claiming the same tax for purposes
5 of the Illinois foreign tax credit under Section 601
6 of this 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
13 costs that the trust or estate deducted in computing
14 adjusted gross income and for which the trust or
15 estate claims a credit under subsection (l) of Section
16 201;

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

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

1 deductions taken in all taxable years under
2 subparagraph (R) with respect to that property.

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

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

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

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

14 This paragraph shall not apply to the following:

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

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

26 (a) the person, during the same taxable

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

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

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

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

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

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

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

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

26 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

25 (G-17) For taxable years beginning on or after
26 January 1, 2021, the amount of gain that would be

1 included for federal income tax purposes without
2 regard to section 1400Z-2(b) of the Internal Revenue
3 Code; the adjustment made in this subparagraph does
4 not result in a difference in basis of the affected
5 assets for State and federal income tax purposes; the
6 purpose of this subparagraph is to decouple from the
7 deferral of gains reinvested into an Opportunity Fund
8 available under federal law; this subparagraph is
9 exempt from the provisions of Section 250;

10 (G-18) For taxable years beginning on or after
11 January 1, 2021, the amount of gain that would be
12 included in the taxpayer's federal taxable income but
13 for the step-up in basis under section 1400Z-2(c) of
14 the Internal Revenue Code; the purpose of this
15 subparagraph is to decouple from the exclusion of
16 gains from the sale or exchange of an investment in an
17 Opportunity Fund available under federal law; this
18 subparagraph is exempt from the provisions of Section
19 250;

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

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

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

7 (I) The valuation limitation amount;

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

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

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

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

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
20 the 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
2 a 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
13 amount equal to the amount of any (i) distributions,
14 to the extent includible in gross income for federal
15 income tax purposes, made to the taxpayer because of
16 his or her status as a victim of persecution for racial
17 or 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

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

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

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

12 (i) for property on which a bonus
13 depreciation deduction of 30% of the adjusted
14 basis was taken, "x" equals "y" multiplied by
15 30 and then divided by 70 (or "y" multiplied
16 by 0.429); 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
16 under this subparagraph only once with respect to any
17 one piece of property.

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

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

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

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

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

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

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

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

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

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

1 Section 250; and

2 (Z) For taxable years beginning after December 31,
3 2018 and before January 1, 2026, the amount of excess
4 business loss of the taxpayer disallowed as a
5 deduction by Section 461(1)(1)(B) of the Internal
6 Revenue Code.

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

14 (d) Partnerships.

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

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

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

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

1 this Act to the extent deducted from gross income for
2 the taxable year;

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

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

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

23 If the taxpayer continues to own property through
24 the last day of the last tax year for which the
25 taxpayer may claim a depreciation deduction for
26 federal income tax purposes and for which the taxpayer

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

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

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

1 taxpayer's unitary business group (including amounts
2 included in gross income pursuant to Sections 951
3 through 964 of the Internal Revenue Code and amounts
4 included in gross income under Section 78 of the
5 Internal Revenue Code) with respect to the stock of
6 the same person to whom the interest was paid,
7 accrued, or incurred.

8 This paragraph shall not apply to the following:

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

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

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

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

1 pursuant to a contract or agreement that
2 reflects an arm's-length interest rate and
3 terms; or

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

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

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

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

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

20 This paragraph shall not apply to the following:

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

1 with respect to such item; or

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

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

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

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

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

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

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

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

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

18 (D-12) For taxable years beginning on or after
19 January 1, 2021, the amount of gain that would be
20 included for federal income tax purposes without
21 regard to section 1400Z-2(b) of the Internal Revenue
22 Code; the adjustment made in this subparagraph does
23 not result in a difference in basis of the affected
24 assets for State and federal income tax purposes; the
25 purpose of this subparagraph is to decouple from the
26 deferral of gains reinvested into an Opportunity Fund

1 available under federal law; this subparagraph is
2 exempt from the provisions of Section 250;

3 (D-13) For taxable years beginning on or after
4 January 1, 2021, the amount of gain that would be
5 included in the taxpayer's federal taxable income but
6 for the step-up in basis under section 1400Z-2(c) of
7 the Internal Revenue Code; the purpose of this
8 subparagraph is to decouple from the exclusion of
9 gains from the sale or exchange of an investment in an
10 Opportunity Fund available under federal law; this
11 subparagraph is exempt from the provisions of Section
12 250;

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

15 (E) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

1 subparagraph (K) of paragraph (2) of this subsection
2 shall not be eligible for the deduction provided under
3 this subparagraph (M);

4 (N) 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;

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

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

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

26 (3) for taxable years ending after December

1 31, 2005:

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

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

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

19 (P) If the taxpayer sells, transfers, abandons, or
20 otherwise disposes of property for which the taxpayer
21 was required in any taxable year to make an addition
22 modification under subparagraph (D-5), then an amount
23 equal to that addition modification.

24 If the taxpayer continues to own property through
25 the last day of the last tax year for which the
26 taxpayer may claim a depreciation deduction for

1 federal income tax purposes and for which the taxpayer
2 was required in any taxable year to make an addition
3 modification under subparagraph (D-5), then an amount
4 equal to that addition modification.

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (B) Certain other insurance companies. In the case
25 of mutual insurance companies subject to the tax
26 imposed by Section 831 of the Internal Revenue Code,

1 insurance company taxable income;

2 (C) Regulated investment companies. In the case of
3 a regulated investment company subject to the tax
4 imposed by Section 852 of the Internal Revenue Code,
5 investment company taxable income;

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

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

23 (F) Cooperatives. In the case of a cooperative
24 corporation or association, the taxable income of such
25 organization determined in accordance with the
26 provisions of Section 1381 through 1388 of the

1 Internal Revenue Code, but without regard to the
2 prohibition against offsetting losses from patronage
3 activities against income from nonpatronage
4 activities; except that a cooperative corporation or
5 association may make an election to follow its federal
6 income tax treatment of patronage losses and
7 nonpatronage losses. In the event such election is
8 made, such losses shall be computed and carried over
9 in a manner consistent with subsection (a) of Section
10 207 of this Act and apportioned by the apportionment
11 factor reported by the cooperative on its Illinois
12 income tax return filed for the taxable year in which
13 the losses are incurred. The election shall be
14 effective for all taxable years with original returns
15 due on or after the date of the election. In addition,
16 the cooperative may file an amended return or returns,
17 as allowed under this Act, to provide that the
18 election shall be effective for losses incurred or
19 carried forward for taxable years occurring prior to
20 the date of the election. Once made, the election may
21 only be revoked upon approval of the Director. The
22 Department shall adopt rules setting forth
23 requirements for documenting the elections and any
24 resulting Illinois net loss and the standards to be
25 used by the Director in evaluating requests to revoke
26 elections. Public Act 96-932 is declaratory of

1 existing law;

2 (G) Subchapter S corporations. In the case of: (i)
3 a Subchapter S corporation for which there is in
4 effect an election for the taxable year under Section
5 1362 of the Internal Revenue Code, the taxable income
6 of such corporation determined in accordance with
7 Section 1363(b) of the Internal Revenue Code, except
8 that taxable income shall take into account those
9 items which are required by Section 1363(b)(1) of the
10 Internal Revenue Code to be separately stated; and
11 (ii) a Subchapter S corporation for which there is in
12 effect a federal election to opt out of the provisions
13 of the Subchapter S Revision Act of 1982 and have
14 applied instead the prior federal Subchapter S rules
15 as in effect on July 1, 1982, the taxable income of
16 such corporation determined in accordance with the
17 federal Subchapter S rules as in effect on July 1,
18 1982; and

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

26 (3) Recapture of business expenses on disposition of

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

17 (f) Valuation limitation amount.

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

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

1 plus

2 (B) The lesser of (i) the sum of the pre-August 1,
3 1969 appreciation amounts (to the extent consisting of
4 capital gain) for all property in respect of which
5 such gain was reported for federal income tax purposes
6 for the taxable year, or (ii) the net capital gain for
7 the taxable year, reduced in either case by any amount
8 of such gain included in the amount determined under
9 subsection (a) (2) (F) or (c) (2) (H).

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

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

22 (B) If the fair market value of property referred
23 to in paragraph (1) was not readily ascertainable on
24 August 1, 1969, the pre-August 1, 1969 appreciation
25 amount for such property is that amount which bears
26 the same ratio to the total gain reported in respect of

1 the property for federal income tax purposes for the
2 taxable year, as the number of full calendar months in
3 that part of the taxpayer's holding period for the
4 property ending July 31, 1969 bears to the number of
5 full calendar months in the taxpayer's entire holding
6 period for the property.

7 (C) The Department shall prescribe such
8 regulations as may be necessary to carry out the
9 purposes of this paragraph.

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

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

22 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;
23 101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

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

1 becoming law.