



Sen. John Connor

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LRB102 10763 HLH 23116 a

1 AMENDMENT TO SENATE BILL 2358

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 2358 by replacing  
3 everything after the enacting clause with the following:

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

1 to the taxpayer as interest or dividends during the  
2 taxable year to the extent excluded from gross income  
3 in the computation of adjusted gross income, except  
4 stock dividends of qualified public utilities  
5 described in Section 305(e) of the Internal Revenue  
6 Code;

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

11 (C) An amount equal to the amount received during  
12 the taxable year as a recovery or refund of real  
13 property taxes paid with respect to the taxpayer's  
14 principal residence under the Revenue Act of 1939 and  
15 for which a deduction was previously taken under  
16 subparagraph (L) of this paragraph (2) prior to July  
17 1, 1991, the retrospective application date of Article  
18 4 of Public Act 87-17. In the case of multi-unit or  
19 multi-use structures and farm dwellings, the taxes on  
20 the taxpayer's principal residence shall be that  
21 portion of the total taxes for the entire property  
22 which is attributable to such principal residence;

23 (D) An amount equal to the amount of the capital  
24 gain deduction allowable under the Internal Revenue  
25 Code, to the extent deducted from gross income in the  
26 computation of adjusted gross income;

1           (D-5) An amount, to the extent not included in  
2 adjusted gross income, equal to the amount of money  
3 withdrawn by the taxpayer in the taxable year from a  
4 medical care savings account and the interest earned  
5 on the account in the taxable year of a withdrawal  
6 pursuant to subsection (b) of Section 20 of the  
7 Medical Care Savings Account Act or subsection (b) of  
8 Section 20 of the Medical Care Savings Account Act of  
9 2000;

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

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

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

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

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

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

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

12 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

24 This paragraph shall not apply to the following:

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



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

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

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

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

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

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

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

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

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

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

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

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

1 out-of-state program in the same manner that the  
2 out-of-state program distributes its offering  
3 materials;

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

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

19 (D-21.5) For taxable years beginning on or after  
20 January 1, 2018, in the case of the transfer of moneys  
21 from a qualified tuition program under Section 529 or  
22 a qualified ABLE program under Section 529A of the  
23 Internal Revenue Code that is administered by this  
24 State to an ABLE account established under an  
25 out-of-state ABLE account program, an amount equal to  
26 the contribution component of the transferred amount

1           that was previously deducted from base income under  
2           subsection (a) (2) (Y) or subsection (a) (2) (HH) of this  
3           Section;

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

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

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

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

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

17 (E) For taxable years ending before December 31,  
18 2001, any amount included in such total in respect of  
19 any compensation (including but not limited to any  
20 compensation paid or accrued to a serviceman while a  
21 prisoner of war or missing in action) paid to a  
22 resident by reason of being on active duty in the Armed  
23 Forces of the United States and in respect of any  
24 compensation paid or accrued to a resident who as a  
25 governmental employee was a prisoner of war or missing  
26 in action, and in respect of any compensation paid to a

1 resident in 1971 or thereafter for annual training  
2 performed pursuant to Sections 502 and 503, Title 32,  
3 United States Code as a member of the Illinois  
4 National Guard or, beginning with taxable years ending  
5 on or after December 31, 2007, the National Guard of  
6 any other state. For taxable years ending on or after  
7 December 31, 2001, any amount included in such total  
8 in respect of any compensation (including but not  
9 limited to any compensation paid or accrued to a  
10 serviceman while a prisoner of war or missing in  
11 action) paid to a resident by reason of being a member  
12 of any component of the Armed Forces of the United  
13 States and in respect of any compensation paid or  
14 accrued to a resident who as a governmental employee  
15 was a prisoner of war or missing in action, and in  
16 respect of any compensation paid to a resident in 2001  
17 or thereafter by reason of being a member of the  
18 Illinois National Guard or, beginning with taxable  
19 years ending on or after December 31, 2007, the  
20 National Guard of any other state. The provisions of  
21 this subparagraph (E) are exempt from the provisions  
22 of Section 250;

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



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

8 (G) The valuation limitation amount;

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

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

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

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

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

8 (L) For taxable years ending after December 31,  
9 1983, an amount equal to all social security benefits  
10 and railroad retirement benefits included in such  
11 total pursuant to Sections 72(r) and 86 of the  
12 Internal Revenue Code;

13 (M) With the exception of any amounts subtracted  
14 under subparagraph (N), an amount equal to the sum of  
15 all amounts disallowed as deductions by (i) Sections  
16 171(a)(2), ~~7~~ and 265(a)(2) of the Internal Revenue Code,  
17 and all amounts of expenses allocable to interest and  
18 disallowed as deductions by Section 265(a)(1) of the  
19 Internal Revenue Code; and (ii) for taxable years  
20 ending on or after August 13, 1999, Sections  
21 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
22 Internal Revenue Code, plus, for taxable years ending  
23 on or after December 31, 2011, Section 45G(e)(3) of  
24 the Internal Revenue Code and, for taxable years  
25 ending on or after December 31, 2008, any amount  
26 included in gross income under Section 87 of the

1 Internal Revenue Code; the provisions of this  
2 subparagraph are exempt from the provisions of Section  
3 250;

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

16 (P) An amount equal to the amount of the deduction  
17 used to compute the federal income tax credit for  
18 restoration of substantial amounts held under claim of  
19 right for the taxable year pursuant to Section 1341 of  
20 the Internal Revenue Code or of any itemized deduction  
21 taken from adjusted gross income in the computation of  
22 taxable income for restoration of substantial amounts  
23 held under claim of right for the taxable year;

24 (Q) An amount equal to any amounts included in  
25 such total, received by the taxpayer as an  
26 acceleration in the payment of life, endowment or

1 annuity benefits in advance of the time they would  
2 otherwise be payable as an indemnity for a terminal  
3 illness;

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

6 (S) An amount, to the extent included in adjusted  
7 gross income, equal to the amount of a contribution  
8 made in the taxable year on behalf of the taxpayer to a  
9 medical care savings account established under the  
10 Medical Care Savings Account Act or the Medical Care  
11 Savings Account Act of 2000 to the extent the  
12 contribution is accepted by the account administrator  
13 as provided in that Act;

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

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

1 (V) Beginning with tax years ending on or after  
2 December 31, 1995 and ending with tax years ending on  
3 or before December 31, 2004, an amount equal to the  
4 amount paid by a taxpayer who is a self-employed  
5 taxpayer, a partner of a partnership, or a shareholder  
6 in a Subchapter S corporation for health insurance or  
7 long-term care insurance for that taxpayer or that  
8 taxpayer's spouse or dependents, to the extent that  
9 the amount paid for that health insurance or long-term  
10 care insurance may be deducted under Section 213 of  
11 the Internal Revenue Code, has not been deducted on  
12 the federal income tax return of the taxpayer, and  
13 does not exceed the taxable income attributable to  
14 that taxpayer's income, self-employment income, or  
15 Subchapter S corporation income; except that no  
16 deduction shall be allowed under this item (V) if the  
17 taxpayer is eligible to participate in any health  
18 insurance or long-term care insurance plan of an  
19 employer of the taxpayer or the taxpayer's spouse. The  
20 amount of the health insurance and long-term care  
21 insurance subtracted under this item (V) shall be  
22 determined by multiplying total health insurance and  
23 long-term care insurance premiums paid by the taxpayer  
24 times a number that represents the fractional  
25 percentage of eligible medical expenses under Section  
26 213 of the Internal Revenue Code of 1986 not actually

1           deducted on the taxpayer's federal income tax return;

2           (W) For taxable years beginning on or after  
3           January 1, 1998, all amounts included in the  
4           taxpayer's federal gross income in the taxable year  
5           from amounts converted from a regular IRA to a Roth  
6           IRA. This paragraph is exempt from the provisions of  
7           Section 250;

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

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

15 (Y) For taxable years beginning on or after  
16 January 1, 2002 and ending on or before December 31,  
17 2004, moneys contributed in the taxable year to a  
18 College Savings Pool account under Section 16.5 of the  
19 State Treasurer Act, except that amounts excluded from  
20 gross income under Section 529(c)(3)(C)(i) of the  
21 Internal Revenue Code shall not be considered moneys  
22 contributed under this subparagraph (Y). For taxable  
23 years beginning on or after January 1, 2005, a maximum  
24 of \$10,000 contributed in the taxable year to (i) a  
25 College Savings Pool account under Section 16.5 of the  
26 State Treasurer Act or (ii) the Illinois Prepaid

1 Tuition Trust Fund, except that amounts excluded from  
2 gross income under Section 529(c)(3)(C)(i) of the  
3 Internal Revenue Code shall not be considered moneys  
4 contributed under this subparagraph (Y). For purposes  
5 of this subparagraph, contributions made by an  
6 employer on behalf of an employee, or matching  
7 contributions made by an employee, shall be treated as  
8 made by the employee. This subparagraph (Y) is exempt  
9 from the provisions of Section 250;

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

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

23 (2) for taxable years ending on or before  
24 December 31, 2005, "x" equals "y" multiplied by 30  
25 and then divided by 70 (or "y" multiplied by  
26 0.429); and



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

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

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

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

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

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

1 taxpayer may claim a depreciation deduction for  
2 federal income tax purposes and for which the taxpayer  
3 was required in any taxable year to make an addition  
4 modification under subparagraph (D-15), then an amount  
5 equal to that addition modification.

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

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

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

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

1           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
2           203(d)(2)(D-8), but not to exceed the amount of that  
3           addition modification. This subparagraph (CC) is  
4           exempt from the provisions of Section 250;

5           (DD) An amount equal to the interest income taken  
6           into account for the taxable year (net of the  
7           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(a)(2)(D-17) for interest paid, accrued, or  
23          incurred, directly or indirectly, to the same person.  
24          This subparagraph (DD) is exempt from the provisions  
25          of Section 250;

26          (EE) An amount equal to the income from intangible

1 property taken into account for the taxable year (net  
2 of the 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(a)(2)(D-18) for intangible expenses and costs  
18 paid, accrued, or incurred, directly or indirectly, to  
19 the same foreign person. This subparagraph (EE) is  
20 exempt from the provisions of Section 250;

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

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

17 (HH) For taxable years beginning on or after  
18 January 1, 2018 and prior to January 1, 2023, a maximum  
19 of \$10,000 contributed in the taxable year to a  
20 qualified ABLE account under Section 16.6 of the State  
21 Treasurer Act, except that amounts excluded from gross  
22 income under Section 529(c)(3)(C)(i) or Section  
23 529A(c)(1)(C) of the Internal Revenue Code shall not  
24 be considered moneys contributed under this  
25 subparagraph (HH). For purposes of this subparagraph  
26 (HH), contributions made by an employer on behalf of

1           an employee, or matching contributions made by an  
2           employee, shall be treated as made by the employee.

3           (b) Corporations.

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

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

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

15           (B) 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           (C) In the case of a regulated investment company,  
20           an amount equal to the excess of (i) the net long-term  
21           capital gain for the taxable year, over (ii) the  
22           amount of the capital gain dividends designated as  
23           such in accordance with Section 852(b)(3)(C) of the  
24           Internal Revenue Code and any amount designated under  
25           Section 852(b)(3)(D) of the Internal Revenue Code,

1           attributable to the taxable year (this amendatory Act  
2           of 1995 (Public Act 89-89) is declarative of existing  
3           law and is not a new enactment);

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

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

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

26               (ii) the addition modification relating to the

1 net operating loss carried back or forward to the  
2 taxable year from any taxable year ending prior to  
3 December 31, 1986 shall not exceed the amount of  
4 such carryback or carryforward;

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

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

17 (E-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;

22 (E-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 (E-10), then  
26 an amount equal to the aggregate amount of the



1           deductions taken in all taxable years under  
2           subparagraph (T) 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 (T), 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          (E-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 the foreign person's business activity outside  
20          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           (E-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(b)(2)(E-12) of  
12 this Act. As used in this subparagraph, the term  
13 "intangible expenses and costs" includes (1) expenses,  
14 losses, and costs for, or related to, the direct or  
15 indirect acquisition, use, maintenance or management,  
16 ownership, sale, exchange, or any other disposition of  
17 intangible property; (2) losses incurred, directly or  
18 indirectly, from factoring transactions or discounting  
19 transactions; (3) royalty, patent, technical, and  
20 copyright fees; (4) licensing fees; and (5) other  
21 similar expenses and costs. For purposes of this  
22 subparagraph, "intangible property" includes patents,  
23 patent applications, trade names, trademarks, service  
24 marks, copyrights, mask works, trade secrets, and  
25 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          (E-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(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
16 Act;

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

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



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

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

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

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

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

16          (H) In the case of a regulated investment company,  
17          an amount equal to the amount of exempt interest  
18          dividends as defined in subsection (b)(5) of Section  
19          852 of the Internal Revenue Code, paid to shareholders  
20          for the taxable year;

21          (I) With the exception of any amounts subtracted  
22          under subparagraph (J), an amount equal to the sum of  
23          all amounts disallowed as deductions by (i) Sections  
24          171(a)(2) ~~7~~ and 265(a)(2) and amounts disallowed as  
25          interest expense by Section 291(a)(3) of the Internal  
26          Revenue Code, and all amounts of expenses allocable to

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

21 (J) An amount equal to all amounts included in  
22 such total which are exempt from taxation by this  
23 State either by reason of its statutes or Constitution  
24 or by reason of the Constitution, treaties or statutes  
25 of the United States; provided that, in the case of any  
26 statute of this State that exempts income derived from

1 bonds or other obligations from the tax imposed under  
2 this Act, the amount exempted shall be the interest  
3 net of bond premium amortization;

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

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

21 (M) For any taxpayer that is a financial  
22 organization within the meaning of Section 304(c) of  
23 this Act, an amount included in such total as interest  
24 income from a loan or loans made by such taxpayer to a  
25 borrower, to the extent that such a loan is secured by  
26 property which is eligible for the River Edge

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

18                 (M-1) For any taxpayer that is a financial  
19                 organization within the meaning of Section 304(c) of  
20                 this Act, an amount included in such total as interest  
21                 income from a loan or loans made by such taxpayer to a  
22                 borrower, to the extent that such a loan is secured by  
23                 property which is eligible for the High Impact  
24                 Business Investment Credit. To determine the portion  
25                 of a loan or loans that is secured by property eligible  
26                 for a Section 201(h) investment credit to the

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

18 (N) Two times any contribution made during the  
19 taxable year to a designated zone organization to the  
20 extent that the contribution (i) qualifies as a  
21 charitable contribution under subsection (c) of  
22 Section 170 of the Internal Revenue Code and (ii)  
23 must, by its terms, be used for a project approved by  
24 the Department of Commerce and Economic Opportunity  
25 under Section 11 of the Illinois Enterprise Zone Act  
26 or under Section 10-10 of the River Edge Redevelopment

1 Zone Act. This subparagraph (N) is exempt from the  
2 provisions of Section 250;

3 (O) An amount equal to: (i) 85% for taxable years  
4 ending on or before December 31, 1992, or, a  
5 percentage equal to the percentage allowable under  
6 Section 243(a)(1) of the Internal Revenue Code of 1986  
7 for taxable years ending after December 31, 1992, of  
8 the amount by which dividends included in taxable  
9 income and received from a corporation that is not  
10 created or organized under the laws of the United  
11 States or any state or political subdivision thereof,  
12 including, for taxable years ending on or after  
13 December 31, 1988, dividends received or deemed  
14 received or paid or deemed paid under Sections 951  
15 through 965 of the Internal Revenue Code, exceed the  
16 amount of the modification provided under subparagraph  
17 (G) of paragraph (2) of this subsection (b) which is  
18 related to such dividends, and including, for taxable  
19 years ending on or after December 31, 2008, dividends  
20 received from a captive real estate investment trust;  
21 plus (ii) 100% of the amount by which dividends,  
22 included in taxable income and received, including,  
23 for taxable years ending on or after December 31,  
24 1988, dividends received or deemed received or paid or  
25 deemed paid under Sections 951 through 964 of the  
26 Internal Revenue Code and including, for taxable years

1 ending on or after December 31, 2008, dividends  
2 received from a captive real estate investment trust,  
3 from any such corporation specified in clause (i) that  
4 would but for the provisions of Section 1504(b)(3) of  
5 the Internal Revenue Code be treated as a member of the  
6 affiliated group which includes the dividend  
7 recipient, exceed the amount of the modification  
8 provided under subparagraph (G) of paragraph (2) of  
9 this subsection (b) which is related to such  
10 dividends. This subparagraph (O) is exempt from the  
11 provisions of Section 250 of this Act;

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

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

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

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

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

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

23 (1) "y" equals the amount of the depreciation  
24 deduction taken for the taxable year on the  
25 taxpayer's federal income tax return on property  
26 for which the bonus depreciation deduction was



1 taken in any year under subsection (k) of Section  
2 168 of the Internal Revenue Code, but not  
3 including the bonus depreciation deduction;

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

8 (3) for taxable years ending after December  
9 31, 2005:

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

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

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

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

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

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

16           This subparagraph (U) is exempt from the  
17 provisions of Section 250;

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

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

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

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

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

1 not to exceed the addition modification required to be  
2 made for the same taxable year under Section  
3 203(b)(2)(E-13) for intangible expenses and costs  
4 paid, accrued, or incurred, directly or indirectly, to  
5 the same foreign person. This subparagraph (X) is  
6 exempt from the provisions of Section 250;

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

23 (Z) The difference between the nondeductible  
24 controlled foreign corporation dividends under Section  
25 965(e)(3) of the Internal Revenue Code over the  
26 taxable income of the taxpayer, computed without

1           regard to Section 965(e)(2)(A) of the Internal Revenue  
2           Code, and without regard to any net operating loss  
3           deduction. This subparagraph (Z) is exempt from the  
4           provisions of Section 250.

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

13          (c) Trusts and estates.

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

17           (2) Modifications. Subject to the provisions of  
18          paragraph (3), the taxable income referred to in paragraph  
19          (1) shall be modified by adding thereto the sum of the  
20          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) In the case of (i) an estate, \$600; (ii) a

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

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

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

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

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

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

6 (ii) 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 not exceed the amount of  
10 such carryback or carryforward;

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

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

24 (G) An amount equal to the amount of the capital  
25 gain deduction allowable under the Internal Revenue  
26 Code, to the extent deducted from gross income in the



1 computation of taxable income;

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

8 (G-10) 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; and

13 (G-11) 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 (G-10), then  
17 an amount equal to the aggregate amount of the  
18 deductions taken in all taxable years under  
19 subparagraph (R) 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 (R), 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           (G-12) 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 the foreign person's business activity  
11          outside the United States is 80% or more of the foreign  
12          person's total business activity and (ii) for taxable  
13          years ending on or after December 31, 2008, to a person  
14          who would be a member of the same unitary business  
15          group but for the fact that the person is prohibited  
16          under Section 1501(a)(27) from being included in the  
17          unitary business group because he or she is ordinarily  
18          required to apportion business income under different  
19          subsections of Section 304. The addition modification  
20          required by this subparagraph shall be reduced to the  
21          extent that dividends were included in base income of  
22          the unitary group for the same taxable year and  
23          received by the taxpayer or by a member of the  
24          taxpayer's unitary business group (including amounts  
25          included in gross income pursuant to Sections 951  
26          through 964 of the Internal Revenue Code and amounts

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

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

1 incurred, directly or indirectly, (i) for taxable  
2 years ending on or after December 31, 2004, 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 pursuant to Sections 951 through 964 of the  
21 Internal Revenue Code and amounts included in gross  
22 income under Section 78 of the Internal Revenue Code)  
23 with respect to the stock of the same person to whom  
24 the intangible expenses and costs were directly or  
25 indirectly paid, incurred, or accrued. The preceding  
26 sentence shall not apply to the extent that the same

1 dividends caused a reduction to the addition  
2 modification required under Section 203(c)(2)(G-12) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes: (1)  
5 expenses, losses, and costs for or related to the  
6 direct or indirect acquisition, use, maintenance or  
7 management, ownership, sale, exchange, or any other  
8 disposition of intangible property; (2) losses  
9 incurred, directly or indirectly, from factoring  
10 transactions or discounting transactions; (3) royalty,  
11 patent, technical, and copyright fees; (4) licensing  
12 fees; and (5) other similar expenses and costs. For  
13 purposes of this subparagraph, "intangible property"  
14 includes patents, patent applications, trade names,  
15 trademarks, service marks, copyrights, mask works,  
16 trade secrets, and 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           (G-14) For taxable years ending on or after  
8           December 31, 2008, an amount equal to the amount of  
9           insurance premium expenses and costs otherwise allowed  
10          as a deduction in computing base income, and that were  
11          paid, accrued, or incurred, directly or indirectly, to  
12          a person who would be a member of the same unitary  
13          business group but for the fact that the person is  
14          prohibited under Section 1501(a)(27) from being  
15          included in the unitary business group because he or  
16          she is ordinarily required to apportion business  
17          income under different subsections of Section 304. The  
18          addition modification required by this subparagraph  
19          shall be reduced to the extent that dividends were  
20          included in base income of the unitary group for the  
21          same taxable year and received by the taxpayer or by a  
22          member of the taxpayer's unitary business group  
23          (including amounts included in gross income under  
24          Sections 951 through 964 of the Internal Revenue Code  
25          and amounts included in gross income under Section 78  
26          of the Internal Revenue Code) with respect to the



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

8 (G-15) An amount equal to the credit allowable to  
9 the taxpayer under Section 218(a) of this Act,  
10 determined without regard to Section 218(c) of this  
11 Act;

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

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

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

1 1402 of the Internal Revenue Code and regulations  
2 adopted pursuant thereto;

3 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

21 (1) "y" equals the amount of the depreciation  
22 deduction taken for the taxable year on the  
23 taxpayer's federal income tax return on property  
24 for which the bonus depreciation deduction was  
25 taken in any year under subsection (k) of Section  
26 168 of the Internal Revenue Code, but not

1 including the bonus depreciation deduction;

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

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

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

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

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

25 (S) If the taxpayer sells, transfers, abandons, or  
26 otherwise disposes of property for which the taxpayer

1 was required in any taxable year to make an addition  
2 modification under subparagraph (G-10), then an amount  
3 equal to that addition modification.

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

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

14 This subparagraph (S) is exempt from the  
15 provisions of Section 250;

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

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

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



1           (V) An amount equal to the income from intangible  
2           property taken into account for the taxable year (net  
3           of the 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(c)(2)(G-13) for intangible expenses and costs  
19          paid, accrued, or incurred, directly or indirectly, to  
20          the same foreign person. This subparagraph (V) is  
21          exempt from the provisions of Section 250;

22          (W) in the case of an estate, an amount equal to  
23          all amounts included in such total pursuant to the  
24          provisions of Section 111 of the Internal Revenue Code  
25          as a recovery of items previously deducted by the  
26          decedent from adjusted gross income in the computation

1 of taxable income. This subparagraph (W) is exempt  
2 from Section 250;

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

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

24 (Z) For taxable years beginning after December 31,  
25 2018 and before January 1, 2026, the amount of excess  
26 business loss of the taxpayer disallowed as a

1 deduction by Section 461(1)(1)(B) of the Internal  
2 Revenue Code.

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

10 (d) Partnerships.

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

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

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

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

24 (C) The amount of deductions allowed to the  
25 partnership pursuant to Section 707 (c) of the

1 Internal Revenue Code in calculating its taxable  
2 income;

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

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

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

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

26 The taxpayer is required to make the addition

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

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

1 Internal Revenue Code) with respect to the stock of  
2 the same person to whom the interest was paid,  
3 accrued, or incurred.

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

23 (D-8) An amount equal to the amount of intangible  
24 expenses and costs otherwise allowed as a deduction in  
25 computing base income, and that were paid, accrued, or  
26 incurred, directly or indirectly, (i) for taxable

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



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

16 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

1           were directly or indirectly paid, incurred, or  
2           accrued. The preceding sentence does not apply to the  
3           extent that the same dividends caused a reduction to  
4           the addition modification required under Section  
5           203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

6           (D-10) An amount equal to the credit allowable to  
7           the taxpayer under Section 218(a) of this Act,  
8           determined without regard to Section 218(c) of this  
9           Act;

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

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

16               (E) The valuation limitation amount;

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

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

1 bonds or other obligations from the tax imposed under  
2 this Act, the amount exempted shall be the interest  
3 net of bond premium amortization;

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

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

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

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

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

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

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

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

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

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

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

23                 (2) for taxable years ending on or before  
24                 December 31, 2005, "x" equals "y" multiplied by 30  
25                 and then divided by 70 (or "y" multiplied by  
26                 0.429); and

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

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

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

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

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

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



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

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

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

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

1 from Section 250;

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

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

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

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

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

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

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

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

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

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

25 (B) Certain other insurance companies. In the case  
26 of mutual insurance companies subject to the tax

1 imposed by Section 831 of the Internal Revenue Code,  
2 insurance company taxable income;

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

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

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

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

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

1 elections. Public Act 96-932 is declaratory of  
2 existing law;

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

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



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

18          (f) Valuation limitation amount.

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

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

1           which such gain was reported for the taxable year;  
2           plus

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

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

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

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

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

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

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

14          (g-5) For taxable years beginning on or after January 1,  
15          2022, in calculating the taxpayer's base income, the  
16          taxpayer's federal adjusted gross income shall also be  
17          modified to exclude the portion of the income or loss received  
18          from a trade or business conducted within and without Illinois  
19          or from a pass-through entity conducting business within and  
20          without Illinois that is not derived from or connected with  
21          Illinois sources as determined in the provisions in Article 3  
22          of this Act. This subsection (g-5) is exempt from the  
23          provisions of Section 250.

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

10       (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;  
11 101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

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