

1 AN ACT concerning taxes.

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

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

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)
7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

27 (C) An amount equal to the amount received
28 during the taxable year as a recovery or refund of
29 real property taxes paid with respect to the
30 taxpayer's principal residence under the Revenue Act
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)
2 prior to July 1, 1991, the retrospective application
3 date of Article 4 of Public Act 87-17. In the case
4 of multi-unit or multi-use structures and farm
5 dwellings, the taxes on the taxpayer's principal
6 residence shall be that portion of the total taxes
7 for the entire property which is attributable to
8 such principal residence;

9 (D) An amount equal to the amount of the
10 capital gain deduction allowable under the Internal
11 Revenue Code, to the extent deducted from gross
12 income in the computation of adjusted gross income;

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15 withdrawn by the taxpayer in the taxable year from a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

22 (D-10) For taxable years ending after December
23 31, 1997, an amount equal to any eligible
24 remediation costs that the individual deducted in
25 computing adjusted gross income and for which the
26 individual claims a credit under subsection (l) of
27 Section 201;

28 (D-15) For taxable years 2001 and thereafter,
29 an amount equal to the bonus depreciation deduction
30 (30% of the adjusted basis of the qualified
31 property) taken on the taxpayer's federal income tax
32 return for the taxable year under subsection (k) of
33 Section 168 of the Internal Revenue Code; and

34 (D-16) If the taxpayer reports a capital gain

1 or loss on the taxpayer's federal income tax return
 2 for the taxable year based on a sale or transfer of
 3 property for which the taxpayer was required in any
 4 taxable year to make an addition modification under
 5 subparagraph (D-15), then an amount equal to the
 6 aggregate amount of the deductions taken in all
 7 taxable years under subparagraph (Z) with respect to
 8 that property.†

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

12 (D-20) ~~(D-15)~~ For taxable years beginning on
 13 or after January 1, 2002, in the case of a
 14 distribution from a qualified tuition program under
 15 Section 529 of the Internal Revenue Code, other than
 16 (i) a distribution from a College Savings Pool
 17 created under Section 16.5 of the State Treasurer
 18 Act or (ii) a distribution from the Illinois Prepaid
 19 Tuition Trust Fund, an amount equal to the amount
 20 excluded from gross income under Section
 21 529(c)(3)(B);

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

24 (E) For taxable years ending before December
 25 31, 2001, any amount included in such total in
 26 respect of any compensation (including but not
 27 limited to any compensation paid or accrued to a
 28 serviceman while a prisoner of war or missing in
 29 action) paid to a resident by reason of being on
 30 active duty in the Armed Forces of the United States
 31 and in respect of any compensation paid or accrued
 32 to a resident who as a governmental employee was a
 33 prisoner of war or missing in action, and in respect
 34 of any compensation paid to a resident in 1971 or

1 thereafter for annual training performed pursuant to
2 Sections 502 and 503, Title 32, United States Code
3 as a member of the Illinois National Guard. For
4 taxable years ending on or after December 31, 2001,
5 any amount included in such total in respect of any
6 compensation (including but not limited to any
7 compensation paid or accrued to a serviceman while a
8 prisoner of war or missing in action) paid to a
9 resident by reason of being a member of any
10 component of the Armed Forces of the United States
11 and in respect of any compensation paid or accrued
12 to a resident who as a governmental employee was a
13 prisoner of war or missing in action, and in respect
14 of any compensation paid to a resident in 2001 or
15 thereafter by reason of being a member of the
16 Illinois National Guard. The provisions of this
17 amendatory Act of the 92nd General Assembly are
18 exempt from the provisions of Section 250;

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

30 (G) The valuation limitation amount;

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

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

6 (J) An amount equal to those dividends
7 included in such total which were paid by a
8 corporation which conducts business operations in an
9 Enterprise Zone or zones created under the Illinois
10 Enterprise Zone Act, and conducts substantially all
11 of its operations in an Enterprise Zone or zones;

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

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

27 (M) With the exception of any amounts
28 subtracted under subparagraph (N), an amount equal
29 to the sum of all amounts disallowed as deductions
30 by (i) Sections 171(a) (2), and 265(2) of the
31 Internal Revenue Code of 1954, as now or hereafter
32 amended, and all amounts of expenses allocable to
33 interest and disallowed as deductions by Section
34 265(1) of the Internal Revenue Code of 1954, as now

1 or hereafter amended; and (ii) for taxable years
2 ending on or after August 13, 1999, Sections
3 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
4 Internal Revenue Code; the provisions of this
5 subparagraph are exempt from the provisions of
6 Section 250;

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

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

20 (P) An amount equal to the amount of the
21 deduction used to compute the federal income tax
22 credit for restoration of substantial amounts held
23 under claim of right for the taxable year pursuant
24 to Section 1341 of the Internal Revenue Code of
25 1986;

26 (Q) An amount equal to any amounts included in
27 such total, received by the taxpayer as an
28 acceleration in the payment of life, endowment or
29 annuity benefits in advance of the time they would
30 otherwise be payable as an indemnity for a terminal
31 illness;

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

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

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

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

24 (V) Beginning with tax years ending on or
25 after December 31, 1995 and ending with tax years
26 ending on or before December 31, 2004, an amount
27 equal to the amount paid by a taxpayer who is a
28 self-employed taxpayer, a partner of a partnership,
29 or a shareholder in a Subchapter S corporation for
30 health insurance or long-term care insurance for
31 that taxpayer or that taxpayer's spouse or
32 dependents, to the extent that the amount paid for
33 that health insurance or long-term care insurance
34 may be deducted under Section 213 of the Internal

1 Revenue Code of 1986, has not been deducted on the
2 federal income tax return of the taxpayer, and does
3 not exceed the taxable income attributable to that
4 taxpayer's income, self-employment income, or
5 Subchapter S corporation income; except that no
6 deduction shall be allowed under this item (V) if
7 the taxpayer is eligible to participate in any
8 health insurance or long-term care insurance plan of
9 an employer of the taxpayer or the taxpayer's
10 spouse. The amount of the health insurance and
11 long-term care insurance subtracted under this item
12 (V) shall be determined by multiplying total health
13 insurance and long-term care insurance premiums paid
14 by the taxpayer times a number that represents the
15 fractional percentage of eligible medical expenses
16 under Section 213 of the Internal Revenue Code of
17 1986 not actually deducted on the taxpayer's federal
18 income tax return;

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

25 (X) For taxable year 1999 and thereafter, an
26 amount equal to the amount of any (i) distributions,
27 to the extent includible in gross income for federal
28 income tax purposes, made to the taxpayer because of
29 his or her status as a victim of persecution for
30 racial or religious reasons by Nazi Germany or any
31 other Axis regime or as an heir of the victim and
32 (ii) items of income, to the extent includible in
33 gross income for federal income tax purposes,
34 attributable to, derived from or in any way related

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

26 (Y) For taxable years beginning on or after
27 January 1, 2002, moneys contributed in the taxable
28 year to a College Savings Pool account under Section
29 16.5 of the State Treasurer Act, except that amounts
30 excluded from gross income under Section
31 529(c)(3)(C)(i) of the Internal Revenue Code shall
32 not be considered moneys contributed under this
33 subparagraph (Y). This subparagraph (Y) is exempt
34 from the provisions of Section 250;

1 (Z) For taxable years 2001 and thereafter, for
2 the taxable year in which the bonus depreciation
3 deduction (30% of the adjusted basis of the
4 qualified property) is taken on the taxpayer's
5 federal income tax return under subsection (k) of
6 Section 168 of the Internal Revenue Code and for
7 each applicable taxable year thereafter, an amount
8 equal to "x", where:

9 (1) "y" equals the amount of the
10 depreciation deduction taken for the taxable
11 year on the taxpayer's federal income tax
12 return on property for which the bonus
13 depreciation deduction (30% of the adjusted
14 basis of the qualified property) was taken in
15 any year under subsection (k) of Section 168 of
16 the Internal Revenue Code, but not including
17 the bonus depreciation deduction; and

18 (2) "x" equals "y" multiplied by 30 and
19 then divided by 70 (or "y" multiplied by
20 0.429).

21 The aggregate amount deducted under this
22 subparagraph in all taxable years for any one piece
23 of property may not exceed the amount of the bonus
24 depreciation deduction (30% of the adjusted basis of
25 the qualified property) taken on that property on
26 the taxpayer's federal income tax return under
27 subsection (k) of Section 168 of the Internal
28 Revenue Code; and

29 (AA) If the taxpayer reports a capital gain or
30 loss on the taxpayer's federal income tax return for
31 the taxable year based on a sale or transfer of
32 property for which the taxpayer was required in any
33 taxable year to make an addition modification under
34 subparagraph (D-15), then an amount equal to that

1 addition modification.

2 The taxpayer is allowed to take the deduction
3 under this subparagraph only once with respect to
4 any one piece of property; and

5 (BB) †Z† Any amount included in adjusted gross
6 income, other than salary, received by a driver in a
7 ridesharing arrangement using a motor vehicle; and

8 (CC) For taxable years beginning on or after
9 January 1, 2003, moneys contributed during the
10 taxable year by the taxpayer for the purchase of an
11 Illinois prepaid tuition contract, as defined in the
12 Illinois Prepaid Tuition Act, except that amounts
13 excluded from gross income under Section
14 529(c)(3)(C)(i) of the Internal Revenue Code shall
15 not be considered moneys contributed under this
16 subparagraph (CC). This subparagraph is exempt from
17 the provisions of Section 250 of this Act.

18 (b) Corporations.

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

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

25 (A) An amount equal to all amounts paid or
26 accrued to the taxpayer as interest and all
27 distributions received from regulated investment
28 companies during the taxable year to the extent
29 excluded from gross income in the computation of
30 taxable income;

31 (B) An amount equal to the amount of tax
32 imposed by this Act to the extent deducted from
33 gross income in the computation of taxable income
34 for the taxable year;

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

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

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

26 (i) the addition modification relating to
27 the net operating loss carried back or forward
28 to the taxable year from any taxable year
29 ending prior to December 31, 1986 shall be
30 reduced by the amount of addition modification
31 under this subparagraph (E) which related to
32 that net operating loss and which was taken
33 into account in calculating the base income of
34 an earlier taxable year, and

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

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

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

21 (E-10) For taxable years 2001 and thereafter,
22 an amount equal to the bonus depreciation deduction
23 (30% of the adjusted basis of the qualified
24 property) taken on the taxpayer's federal income tax
25 return for the taxable year under subsection (k) of
26 Section 168 of the Internal Revenue Code; and

27 (E-11) If the taxpayer reports a capital gain
28 or loss on the taxpayer's federal income tax return
29 for the taxable year based on a sale or transfer of
30 property for which the taxpayer was required in any
31 taxable year to make an addition modification under
32 subparagraph (E-10), then an amount equal to the
33 aggregate amount of the deductions taken in all
34 taxable years under subparagraph (T) with respect to

1 that property.

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

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

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

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

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

19 (I) With the exception of any amounts
20 subtracted under subparagraph (J), an amount equal
21 to the sum of all amounts disallowed as deductions
22 by (i) Sections 171(a) (2), and 265(a)(2) and
23 amounts disallowed as interest expense by Section
24 291(a)(3) of the Internal Revenue Code, as now or
25 hereafter amended, and all amounts of expenses
26 allocable to interest and disallowed as deductions
27 by Section 265(a)(1) of the Internal Revenue Code,
28 as now or hereafter amended; and (ii) for taxable
29 years ending on or after August 13, 1999, Sections
30 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)
31 of the Internal Revenue Code; the provisions of this
32 subparagraph are exempt from the provisions of
33 Section 250;

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

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

10 (K) An amount equal to those dividends
11 included in such total which were paid by a
12 corporation which conducts business operations in an
13 Enterprise Zone or zones created under the Illinois
14 Enterprise Zone Act and conducts substantially all
15 of its operations in an Enterprise Zone or zones;

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

26 (M) For any taxpayer that is a financial
27 organization within the meaning of Section 304(c) of
28 this Act, an amount included in such total as
29 interest income from a loan or loans made by such
30 taxpayer to a borrower, to the extent that such a
31 loan is secured by property which is eligible for
32 the Enterprise Zone Investment Credit. To determine
33 the portion of a loan or loans that is secured by
34 property eligible for a Section 201(f) investment

1 credit to the borrower, the entire principal amount
2 of the loan or loans between the taxpayer and the
3 borrower should be divided into the basis of the
4 Section 201(f) investment credit property which
5 secures the loan or loans, using for this purpose
6 the original basis of such property on the date that
7 it was placed in service in the Enterprise Zone.
8 The subtraction modification available to taxpayer
9 in any year under this subsection shall be that
10 portion of the total interest paid by the borrower
11 with respect to such loan attributable to the
12 eligible property as calculated under the previous
13 sentence;

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

1 (M-1). The subtraction modification available to
2 taxpayers in any year under this subsection shall be
3 that portion of the total interest paid by the
4 borrower with respect to such loan attributable to
5 the eligible property as calculated under the
6 previous sentence;

7 (N) Two times any contribution made during the
8 taxable year to a designated zone organization to
9 the extent that the contribution (i) qualifies as a
10 charitable contribution under subsection (c) of
11 Section 170 of the Internal Revenue Code and (ii)
12 must, by its terms, be used for a project approved
13 by the Department of Commerce and Community Affairs
14 under Section 11 of the Illinois Enterprise Zone
15 Act;

16 (O) An amount equal to: (i) 85% for taxable
17 years ending on or before December 31, 1992, or, a
18 percentage equal to the percentage allowable under
19 Section 243(a)(1) of the Internal Revenue Code of
20 1986 for taxable years ending after December 31,
21 1992, of the amount by which dividends included in
22 taxable income and received from a corporation that
23 is not created or organized under the laws of the
24 United States or any state or political subdivision
25 thereof, including, for taxable years ending on or
26 after December 31, 1988, dividends received or
27 deemed received or paid or deemed paid under
28 Sections 951 through 964 of the Internal Revenue
29 Code, exceed the amount of the modification provided
30 under subparagraph (G) of paragraph (2) of this
31 subsection (b) which is related to such dividends;
32 plus (ii) 100% of the amount by which dividends,
33 included in taxable income and received, including,
34 for taxable years ending on or after December 31,

1 1988, dividends received or deemed received or paid
2 or deemed paid under Sections 951 through 964 of the
3 Internal Revenue Code, from any such corporation
4 specified in clause (i) that would but for the
5 provisions of Section 1504 (b) (3) of the Internal
6 Revenue Code be treated as a member of the
7 affiliated group which includes the dividend
8 recipient, exceed the amount of the modification
9 provided under subparagraph (G) of paragraph (2) of
10 this subsection (b) which is related to such
11 dividends;

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

15 (Q) An amount equal to the amount of the
16 deduction used to compute the federal income tax
17 credit for restoration of substantial amounts held
18 under claim of right for the taxable year pursuant
19 to Section 1341 of the Internal Revenue Code of
20 1986;

21 (R) In the case of an attorney-in-fact with
22 respect to whom an interinsurer or a reciprocal
23 insurer has made the election under Section 835 of
24 the Internal Revenue Code, 26 U.S.C. 835, an amount
25 equal to the excess, if any, of the amounts paid or
26 incurred by that interinsurer or reciprocal insurer
27 in the taxable year to the attorney-in-fact over the
28 deduction allowed to that interinsurer or reciprocal
29 insurer with respect to the attorney-in-fact under
30 Section 835(b) of the Internal Revenue Code for the
31 taxable year;

32 (S) For taxable years ending on or after
33 December 31, 1997, in the case of a Subchapter S
34 corporation, an amount equal to all amounts of

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

9 (T) For taxable years 2001 and thereafter, for
10 the taxable year in which the bonus depreciation
11 deduction (30% of the adjusted basis of the
12 qualified property) is taken on the taxpayer's
13 federal income tax return under subsection (k) of
14 Section 168 of the Internal Revenue Code and for
15 each applicable taxable year thereafter, an amount
16 equal to "x", where:

17 (1) "y" equals the amount of the
18 depreciation deduction taken for the taxable
19 year on the taxpayer's federal income tax
20 return on property for which the bonus
21 depreciation deduction (30% of the adjusted
22 basis of the qualified property) was taken in
23 any year under subsection (k) of Section 168 of
24 the Internal Revenue Code, but not including
25 the bonus depreciation deduction; and

26 (2) "x" equals "y" multiplied by 30 and
27 then divided by 70 (or "y" multiplied by
28 0.429).

29 The aggregate amount deducted under this
30 subparagraph in all taxable years for any one piece
31 of property may not exceed the amount of the bonus
32 depreciation deduction (30% of the adjusted basis of
33 the qualified property) taken on that property on
34 the taxpayer's federal income tax return under

1 subsection (k) of Section 168 of the Internal
2 Revenue Code; and

3 (U) If the taxpayer reports a capital gain or
4 loss on the taxpayer's federal income tax return for
5 the taxable year based on a sale or transfer of
6 property for which the taxpayer was required in any
7 taxable year to make an addition modification under
8 subparagraph (E-10), then an amount equal to that
9 addition modification.

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

13 (V) For taxable years beginning on or after
14 January 1, 2003, moneys contributed during the
15 taxable year by the taxpayer for the purchase of an
16 Illinois prepaid tuition contract, as defined in the
17 Illinois Prepaid Tuition Act, except that amounts
18 excluded from gross income under Section
19 529(c)(3)(C)(i) of the Internal Revenue Code shall
20 not be considered moneys contributed under this
21 subparagraph (V). This subparagraph is exempt from
22 the provisions of Section 250 of this Act.

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

28 (c) Trusts and estates.

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

33 (2) Modifications. Subject to the provisions of
34 paragraph (3), the taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum
2 of the following amounts:

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

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

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

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

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

31 (i) the addition modification relating to
32 the net operating loss carried back or forward
33 to the taxable year from any taxable year
34 ending prior to December 31, 1986 shall be

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

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

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

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

26 (G) An amount equal to the amount of the
27 capital gain deduction allowable under the Internal
28 Revenue Code, to the extent deducted from gross
29 income in the computation of taxable income;

30 (G-5) For taxable years ending after December
31, 1997, an amount equal to any eligible
32 remediation costs that the trust or estate deducted
33 in computing adjusted gross income and for which the
34 trust or estate claims a credit under subsection (1)

1 of Section 201;

2 (G-10) For taxable years 2001 and thereafter,
3 an amount equal to the bonus depreciation deduction
4 (30% of the adjusted basis of the qualified
5 property) taken on the taxpayer's federal income tax
6 return for the taxable year under subsection (k) of
7 Section 168 of the Internal Revenue Code; and

8 (G-11) If the taxpayer reports a capital gain
9 or loss on the taxpayer's federal income tax return
10 for the taxable year based on a sale or transfer of
11 property for which the taxpayer was required in any
12 taxable year to make an addition modification under
13 subparagraph (G-10), then an amount equal to the
14 aggregate amount of the deductions taken in all
15 taxable years under subparagraph (R) with respect to
16 that property.†

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

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

22 (H) An amount equal to all amounts included in
23 such total pursuant to the provisions of Sections
24 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and
25 408 of the Internal Revenue Code or included in such
26 total as distributions under the provisions of any
27 retirement or disability plan for employees of any
28 governmental agency or unit, or retirement payments
29 to retired partners, which payments are excluded in
30 computing net earnings from self employment by
31 Section 1402 of the Internal Revenue Code and
32 regulations adopted pursuant thereto;

33 (I) The valuation limitation amount;

34 (J) An amount equal to the amount of any tax

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

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

15 (L) With the exception of any amounts
16 subtracted under subparagraph (K), an amount equal
17 to the sum of all amounts disallowed as deductions
18 by (i) Sections 171(a) (2) and 265(a)(2) of the
19 Internal Revenue Code, as now or hereafter amended,
20 and all amounts of expenses allocable to interest
21 and disallowed as deductions by Section 265(1) of
22 the Internal Revenue Code of 1954, as now or
23 hereafter amended; and (ii) for taxable years ending
24 on or after August 13, 1999, Sections 171(a)(2),
25 265, 280C, and 832(b)(5)(B)(i) of the Internal
26 Revenue Code; the provisions of this subparagraph
27 are exempt from the provisions of Section 250;

28 (M) An amount equal to those dividends
29 included in such total which were paid by a
30 corporation which conducts business operations in an
31 Enterprise Zone or zones created under the Illinois
32 Enterprise Zone Act and conducts substantially all
33 of its operations in an Enterprise Zone or Zones;

34 (N) An amount equal to any contribution made

1 to a job training project established pursuant to
2 the Tax Increment Allocation Redevelopment Act;

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

13 (P) An amount equal to the amount of the
14 deduction used to compute the federal income tax
15 credit for restoration of substantial amounts held
16 under claim of right for the taxable year pursuant
17 to Section 1341 of the Internal Revenue Code of
18 1986;

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

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

20 (R) For taxable years 2001 and thereafter, for
21 the taxable year in which the bonus depreciation
22 deduction (30% of the adjusted basis of the
23 qualified property) is taken on the taxpayer's
24 federal income tax return under subsection (k) of
25 Section 168 of the Internal Revenue Code and for
26 each applicable taxable year thereafter, an amount
27 equal to "x", where:

28 (1) "y" equals the amount of the
29 depreciation deduction taken for the taxable
30 year on the taxpayer's federal income tax
31 return on property for which the bonus
32 depreciation deduction (30% of the adjusted
33 basis of the qualified property) was taken in
34 any year under subsection (k) of Section 168 of

1 the Internal Revenue Code, but not including
2 the bonus depreciation deduction; and

3 (2) "x" equals "y" multiplied by 30 and
4 then divided by 70 (or "y" multiplied by
5 0.429).

6 The aggregate amount deducted under this
7 subparagraph in all taxable years for any one piece
8 of property may not exceed the amount of the bonus
9 depreciation deduction (30% of the adjusted basis of
10 the qualified property) taken on that property on
11 the taxpayer's federal income tax return under
12 subsection (k) of Section 168 of the Internal
13 Revenue Code; and

14 (S) If the taxpayer reports a capital gain or
15 loss on the taxpayer's federal income tax return for
16 the taxable year based on a sale or transfer of
17 property for which the taxpayer was required in any
18 taxable year to make an addition modification under
19 subparagraph (G-10), then an amount equal to that
20 addition modification.

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

24 (T) For taxable years beginning on or after
25 January 1, 2003, moneys contributed during the
26 taxable year by the taxpayer for the purchase of an
27 Illinois prepaid tuition contract, as defined in the
28 Illinois Prepaid Tuition Act, except that amounts
29 excluded from gross income under Section
30 529(c)(3)(C)(i) of the Internal Revenue Code shall
31 not be considered moneys contributed under this
32 subparagraph (T). This subparagraph is exempt from
33 the provisions of Section 250 of this Act.

34 (3) Limitation. The amount of any modification

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

7 (d) Partnerships.

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

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

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

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

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

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

29 (D-5) For taxable years 2001 and thereafter,
30 an amount equal to the bonus depreciation deduction
31 (30% of the adjusted basis of the qualified
32 property) taken on the taxpayer's federal income tax
33 return for the taxable year under subsection (k) of
34 Section 168 of the Internal Revenue Code; and

1 (D-6) If the taxpayer reports a capital gain
2 or loss on the taxpayer's federal income tax return
3 for the taxable year based on a sale or transfer of
4 property for which the taxpayer was required in any
5 taxable year to make an addition modification under
6 subparagraph (D-5), then an amount equal to the
7 aggregate amount of the deductions taken in all
8 taxable years under subparagraph (O) with respect to
9 that property.†

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

15 (E) The valuation limitation amount;

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

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

31 (H) Any income of the partnership which
32 constitutes personal service income as defined in
33 Section 1348 (b) (1) of the Internal Revenue Code
34 (as in effect December 31, 1981) or a reasonable

1 allowance for compensation paid or accrued for
2 services rendered by partners to the partnership,
3 whichever is greater;

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

11 (J) With the exception of any amounts
12 subtracted under subparagraph (G), an amount equal
13 to the sum of all amounts disallowed as deductions
14 by (i) Sections 171(a) (2), and 265(2) of the
15 Internal Revenue Code of 1954, as now or hereafter
16 amended, and all amounts of expenses allocable to
17 interest and disallowed as deductions by Section
18 265(1) of the Internal Revenue Code, as now or
19 hereafter amended; and (ii) for taxable years ending
20 on or after August 13, 1999, Sections 171(a)(2),
21 265, 280C, and 832(b)(5)(B)(i) of the Internal
22 Revenue Code; the provisions of this subparagraph
23 are exempt from the provisions of Section 250;

24 (K) An amount equal to those dividends
25 included in such total which were paid by a
26 corporation which conducts business operations in an
27 Enterprise Zone or zones created under the Illinois
28 Enterprise Zone Act, enacted by the 82nd General
29 Assembly, and conducts substantially all of its
30 operations in an Enterprise Zone or Zones;

31 (L) An amount equal to any contribution made
32 to a job training project established pursuant to
33 the Real Property Tax Increment Allocation
34 Redevelopment Act;

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

11 (N) An amount equal to the amount of the
12 deduction used to compute the federal income tax
13 credit for restoration of substantial amounts held
14 under claim of right for the taxable year pursuant
15 to Section 1341 of the Internal Revenue Code of
16 1986;

17 (O) For taxable years 2001 and thereafter, for
18 the taxable year in which the bonus depreciation
19 deduction (30% of the adjusted basis of the
20 qualified property) is taken on the taxpayer's
21 federal income tax return under subsection (k) of
22 Section 168 of the Internal Revenue Code and for
23 each applicable taxable year thereafter, an amount
24 equal to "x", where:

25 (1) "y" equals the amount of the
26 depreciation deduction taken for the taxable
27 year on the taxpayer's federal income tax
28 return on property for which the bonus
29 depreciation deduction (30% of the adjusted
30 basis of the qualified property) was taken in
31 any year under subsection (k) of Section 168 of
32 the Internal Revenue Code, but not including
33 the bonus depreciation deduction; and

34 (2) "x" equals "y" multiplied by 30 and

1 then divided by 70 (or "y" multiplied by
2 0.429).

3 The aggregate amount deducted under this
4 subparagraph in all taxable years for any one piece
5 of property may not exceed the amount of the bonus
6 depreciation deduction (30% of the adjusted basis of
7 the qualified property) taken on that property on
8 the taxpayer's federal income tax return under
9 subsection (k) of Section 168 of the Internal
10 Revenue Code; and

11 (P) If the taxpayer reports a capital gain or
12 loss on the taxpayer's federal income tax return for
13 the taxable year based on a sale or transfer of
14 property for which the taxpayer was required in any
15 taxable year to make an addition modification under
16 subparagraph (D-5), then an amount equal to that
17 addition modification.

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

21 (Q) For taxable years beginning on or after
22 January 1, 2003, moneys contributed during the
23 taxable year by the taxpayer for the purchase of an
24 Illinois prepaid tuition contract, as defined in the
25 Illinois Prepaid Tuition Act, except that amounts
26 excluded from gross income under Section
27 529(c)(3)(C)(i) of the Internal Revenue Code shall
28 not be considered moneys contributed under this
29 subparagraph (Q). This subparagraph is exempt from
30 the provisions of Section 250 of this Act.

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

32 (1) In general. Subject to the provisions of
33 paragraph (2) and subsection (b) (3), for purposes of
34 this Section and Section 803(e), a taxpayer's gross

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

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

34 (A) Certain life insurance companies. In the

1 case of a life insurance company subject to the tax
2 imposed by Section 801 of the Internal Revenue Code,
3 life insurance company taxable income, plus the
4 amount of distribution from pre-1984 policyholder
5 surplus accounts as calculated under Section 815a of
6 the Internal Revenue Code;

7 (B) Certain other insurance companies. In the
8 case of mutual insurance companies subject to the
9 tax imposed by Section 831 of the Internal Revenue
10 Code, insurance company taxable income;

11 (C) Regulated investment companies. In the
12 case of a regulated investment company subject to
13 the tax imposed by Section 852 of the Internal
14 Revenue Code, investment company taxable income;

15 (D) Real estate investment trusts. In the
16 case of a real estate investment trust subject to
17 the tax imposed by Section 857 of the Internal
18 Revenue Code, real estate investment trust taxable
19 income;

20 (E) Consolidated corporations. In the case of
21 a corporation which is a member of an affiliated
22 group of corporations filing a consolidated income
23 tax return for the taxable year for federal income
24 tax purposes, taxable income determined as if such
25 corporation had filed a separate return for federal
26 income tax purposes for the taxable year and each
27 preceding taxable year for which it was a member of
28 an affiliated group. For purposes of this
29 subparagraph, the taxpayer's separate taxable income
30 shall be determined as if the election provided by
31 Section 243(b) (2) of the Internal Revenue Code had
32 been in effect for all such years;

33 (F) Cooperatives. In the case of a
34 cooperative corporation or association, the taxable

1 income of such organization determined in accordance
2 with the provisions of Section 1381 through 1388 of
3 the Internal Revenue Code;

4 (G) Subchapter S corporations. In the case
5 of: (i) a Subchapter S corporation for which there
6 is in effect an election for the taxable year under
7 Section 1362 of the Internal Revenue Code, the
8 taxable income of such corporation determined in
9 accordance with Section 1363(b) of the Internal
10 Revenue Code, except that taxable income shall take
11 into account those items which are required by
12 Section 1363(b)(1) of the Internal Revenue Code to
13 be separately stated; and (ii) a Subchapter S
14 corporation for which there is in effect a federal
15 election to opt out of the provisions of the
16 Subchapter S Revision Act of 1982 and have applied
17 instead the prior federal Subchapter S rules as in
18 effect on July 1, 1982, the taxable income of such
19 corporation determined in accordance with the
20 federal Subchapter S rules as in effect on July 1,
21 1982; and

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

30 (f) Valuation limitation amount.

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

34 (A) The sum of the pre-August 1, 1969

1 appreciation amounts (to the extent consisting of
2 gain reportable under the provisions of Section 1245
3 or 1250 of the Internal Revenue Code) for all
4 property in respect of which such gain was reported
5 for the taxable year; plus

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

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

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

27 (B) If the fair market value of property
28 referred to in paragraph (1) was not readily
29 ascertainable on August 1, 1969, the pre-August 1,
30 1969 appreciation amount for such property is that
31 amount which bears the same ratio to the total gain
32 reported in respect of the property for federal
33 income tax purposes for the taxable year, as the
34 number of full calendar months in that part of the

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

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

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

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

20 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
21 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
22 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
23 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
24 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
25 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

26 Section 10. The Illinois Prepaid Tuition Act is amended
27 by changing Section 55 as follows:

28 (110 ILCS 979/55)

29 Sec. 55. Tax exemption. The assets of the Illinois
30 Prepaid Tuition Trust Fund and its income and operation shall
31 be exempt from all taxation by the State of Illinois and any

1 of its subdivisions. The accrued earnings of Illinois
2 prepaid tuition contracts once disbursed on behalf of an
3 eligible beneficiary shall be similarly exempt from all
4 taxation by the State of Illinois and any of its
5 subdivisions, so long as they are used for educational
6 purposes in accordance with the provisions of an Illinois
7 prepaid tuition contract. In addition, for taxable years
8 beginning on or after January 1, 2003, moneys contributed
9 during the taxable year by the taxpayer for the purchase of
10 an Illinois prepaid tuition contract, except for amounts
11 excluded from gross income under Section 529(c)(3)(C)(i) of
12 the Internal Revenue Code, may be deducted from the
13 taxpayer's adjusted gross income as provided in Section 203
14 of the Illinois Income Tax Act. The provisions of this
15 Section are exempt from the provisions of Section 250 of the
16 Illinois Income Tax Act.

17 (Source: P.A. 90-546, eff. 12-1-97; 91-867, eff. 6-22-00.)

18 Section 99. Effective date. This Act takes effect upon
19 becoming law.