

1 AN ACT concerning college savings.

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

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

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may  
8 establish and administer a College Savings Pool to supplement  
9 and enhance the investment opportunities otherwise available  
10 to persons seeking to finance the costs of higher education.  
11 The State Treasurer, in administering the College Savings  
12 Pool, may receive moneys paid into the pool by a participant  
13 and may serve as the fiscal agent of that participant for the  
14 purpose of holding and investing those moneys.

15 "Participant", as used in this Section, means any person  
16 who makes investments in the pool. "Designated beneficiary",  
17 as used in this Section, means any person on whose behalf an  
18 account is established in the College Savings Pool by a  
19 participant. Both in-state and out-of-state persons may be  
20 participants and designated beneficiaries in the College  
21 Savings Pool.

22 New accounts in the College Savings Pool shall be  
23 processed through participating financial institutions.  
24 "Participating financial institution", as used in this  
25 Section, means any financial institution insured by the  
26 Federal Deposit Insurance Corporation and lawfully doing  
27 business in the State of Illinois and any credit union  
28 approved by the State Treasurer and lawfully doing business  
29 in the State of Illinois that agrees to process new accounts  
30 in the College Savings Pool. Participating financial  
31 institutions may charge a processing fee to participants to

1 open an account in the pool that shall not exceed \$30 until  
2 the year 2001. Beginning in 2001 and every year thereafter,  
3 the maximum fee limit shall be adjusted by the Treasurer  
4 based on the Consumer Price Index for the North Central  
5 Region as published by the United States Department of Labor,  
6 Bureau of Labor Statistics for the immediately preceding  
7 calendar year. Every contribution received by a financial  
8 institution for investment in the College Savings Pool shall  
9 be transferred from the financial institution to a location  
10 selected by the State Treasurer within one business day  
11 following the day that the funds must be made available in  
12 accordance with federal law. All communications from the  
13 State Treasurer to participants shall reference the  
14 participating financial institution at which the account was  
15 processed.

16 The Treasurer may invest the moneys in the College  
17 Savings Pool in the same manner, in the same types of  
18 investments, and subject to the same limitations provided for  
19 the investment of moneys by the Illinois State Board of  
20 Investment. To enhance the safety and liquidity of the  
21 College Savings Pool, to ensure the diversification of the  
22 investment portfolio of the pool, and in an effort to keep  
23 investment dollars in the State of Illinois, the State  
24 Treasurer shall make a percentage of each account available  
25 for investment in participating financial institutions doing  
26 business in the State. The State Treasurer shall deposit  
27 with the participating financial institution at which the  
28 account was processed the following percentage of each  
29 account at a prevailing rate offered by the institution,  
30 provided that the deposit is federally insured or fully  
31 collateralized and the institution accepts the deposit: 10%  
32 of the total amount of each account for which the current age  
33 of the beneficiary is less than 7 years of age, 20% of the  
34 total amount of each account for which the beneficiary is at

1 least 7 years of age and less than 12 years of age, and 50%  
2 of the total amount of each account for which the current age  
3 of the beneficiary is at least 12 years of age. The State  
4 Treasurer shall adjust each account at least annually to  
5 ensure compliance with this Section. The Treasurer shall  
6 develop, publish, and implement an investment policy covering  
7 the investment of the moneys in the College Savings Pool.  
8 The policy shall be published (i) at least once each year in  
9 at least one newspaper of general circulation in both  
10 Springfield and Chicago and (ii) each year as part of the  
11 audit of the College Savings Pool by the Auditor General,  
12 which shall be distributed to all participants. The  
13 Treasurer shall notify all participants in writing, and the  
14 Treasurer shall publish in a newspaper of general circulation  
15 in both Chicago and Springfield, any changes to the  
16 previously published investment policy at least 30 calendar  
17 days before implementing the policy. Any investment policy  
18 adopted by the Treasurer shall be reviewed and updated if  
19 necessary within 90 days following the date that the State  
20 Treasurer takes office.

21 Participants shall be required to use moneys distributed  
22 from the College Savings Pool for qualified expenses at  
23 eligible educational institutions. "Qualified expenses", as  
24 used in this Section, means the following: (i) tuition, fees,  
25 and the costs of books, supplies, and equipment required for  
26 enrollment or attendance at an eligible educational  
27 institution and (ii) certain room and board expenses incurred  
28 while attending an eligible educational institution at least  
29 half-time. "Eligible educational institutions", as used in  
30 this Section, means public and private colleges, junior  
31 colleges, graduate schools, and certain vocational  
32 institutions that are described in Section 481 of the Higher  
33 Education Act of 1965 (20 U.S.C. 1088) and that are eligible  
34 to participate in Department of Education student aid

1 programs. A student shall be considered to be enrolled at  
2 least half-time if the student is enrolled for at least half  
3 the full-time academic work load for the course of study the  
4 student is pursuing as determined under the standards of the  
5 institution at which the student is enrolled. Distributions  
6 made from the pool for qualified expenses shall be made  
7 directly to the eligible educational institution, directly to  
8 a vendor, or in the form of a check payable to both the  
9 beneficiary and the institution or vendor. Any moneys that  
10 are distributed in any other manner or that are used for  
11 expenses other than qualified expenses at an eligible  
12 educational institution shall be subject to a penalty of 10%  
13 of the earnings unless the beneficiary dies, becomes  
14 disabled, or receives a scholarship that equals or exceeds  
15 the distribution. Penalties shall be withheld at the time  
16 the distribution is made.

17 The Treasurer shall limit the contributions that may be  
18 made on behalf of a designated beneficiary based on an  
19 actuarial estimate of what is required to pay tuition, fees,  
20 and room and board for 5 undergraduate years at the highest  
21 cost eligible educational institution. The contributions made  
22 on behalf of a beneficiary who is also a beneficiary under  
23 the Illinois Prepaid Tuition Program shall be further  
24 restricted to ensure that the contributions in both programs  
25 combined do not exceed the limit established for the College  
26 Savings Pool. The Treasurer shall provide the Illinois  
27 Student Assistance Commission each year at a time designated  
28 by the Commission, an electronic report of all participant  
29 accounts in the Treasurer's College Savings Pool, listing  
30 total contributions and disbursements from each individual  
31 account during the previous calendar year. As soon  
32 thereafter as is possible following receipt of the  
33 Treasurer's report, the Illinois Student Assistance  
34 Commission shall, in turn, provide the Treasurer with an

1 electronic report listing those College Savings Pool  
2 participants who also participate in the State's prepaid  
3 tuition program, administered by the Commission. The  
4 Commission shall be responsible for filing any combined tax  
5 reports regarding State qualified savings programs required  
6 by the United States Internal Revenue Service. The Treasurer  
7 shall work with the Illinois Student Assistance Commission to  
8 coordinate the marketing of the College Savings Pool and the  
9 Illinois Prepaid Tuition Program when considered beneficial  
10 by the Treasurer and the Director of the Illinois Student  
11 Assistance Commission. The Treasurer's office shall not  
12 publicize or otherwise market the College Savings Pool or  
13 accept any moneys into the College Savings Pool prior to  
14 March 1, 2000. The Treasurer shall provide a separate  
15 accounting for each designated beneficiary to each  
16 participant, the Illinois Student Assistance Commission, and  
17 the participating financial institution at which the account  
18 was processed. No interest in the program may be pledged as  
19 security for a loan.

20 The assets of the College Savings Pool and its income and  
21 operation shall be exempt from all taxation by the State of  
22 Illinois and any of its subdivisions. The accrued earnings  
23 on investments in the Pool once disbursed on behalf of a  
24 designated beneficiary shall be similarly exempt from all  
25 taxation by the State of Illinois and its subdivisions, so  
26 long as they are used for qualified expenses. Contributions  
27 during the taxable year to a College Savings Pool account or  
28 other qualified tuition program under Section 529 of the  
29 Internal Revenue Code (26 U.S.C. 529) during-the-taxable-year  
30 may be deducted from adjusted gross income as provided in  
31 Section 203 of the Illinois Income Tax Act. The provisions  
32 of this paragraph are exempt from Section 250 of the Illinois  
33 Income Tax Act.

34 The Treasurer shall adopt rules he or she considers

1 necessary for the efficient administration of the College  
2 Savings Pool. The rules shall provide whatever additional  
3 parameters and restrictions are necessary to ensure that the  
4 College Savings Pool meets all of the requirements for a  
5 qualified state tuition program under Section 529 of the  
6 Internal Revenue Code (26 U.S.C. 529). The rules shall  
7 provide for the administration expenses of the pool to be  
8 paid from its earnings and for the investment earnings in  
9 excess of the expenses and all moneys collected as penalties  
10 to be credited or paid monthly to the several participants in  
11 the pool in a manner which equitably reflects the differing  
12 amounts of their respective investments in the pool and the  
13 differing periods of time for which those amounts were in the  
14 custody of the pool. Also, the rules shall require the  
15 maintenance of records that enable the Treasurer's office to  
16 produce a report for each account in the pool at least  
17 annually that documents the account balance and investment  
18 earnings. Notice of any proposed amendments to the rules and  
19 regulations shall be provided to all participants prior to  
20 adoption. Amendments to rules and regulations shall apply  
21 only to contributions made after the adoption of the  
22 amendment.

23 Upon creating the College Savings Pool, the State  
24 Treasurer shall give bond with 2 or more sufficient sureties,  
25 payable to and for the benefit of the participants in the  
26 College Savings Pool, in the penal sum of \$1,000,000,  
27 conditioned upon the faithful discharge of his or her duties  
28 in relation to the College Savings Pool.

29 ~~No contributions to the College Savings Pool authorized~~  
30 ~~by this Section shall be considered in evaluating the~~  
31 ~~financial situation of the designated beneficiary or be~~  
32 ~~deemed a financial resource of or a form of financial aid or~~  
33 ~~assistance to the designated beneficiary, for purposes of~~  
34 ~~determining eligibility for any scholarship, grant, or~~

1 monetary--assistance--awarded---by---the---Illinois---Student  
 2 Assistance--Commission,--the-State,--or-any-agency--thereof;--nor  
 3 shall-contributions-to-the-College-Savings--Pool--reduce--the  
 4 amount-of-any-scholarship,--grant,--or-monetary-assistance--that  
 5 the--designated--beneficiary-is-eligible-to-be-awarded-by-the  
 6 Illinois-Student-Assistance-Commission,--the--State,--or--any  
 7 agency--thereof--in--accordance--with--the--provisions--of--any--State  
 8 law.

9 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01;  
 10 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff.  
 11 7-11-02.)

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

14 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

15 Sec. 203. Base income defined.

16 (a) Individuals.

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

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

24 (A) An amount equal to all amounts paid or  
 25 accrued to the taxpayer as interest or dividends  
 26 during the taxable year to the extent excluded from  
 27 gross income in the computation of adjusted gross  
 28 income, except stock dividends of qualified public  
 29 utilities described in Section 305(e) of the  
 30 Internal Revenue Code;

31 (B) An amount equal to the amount of tax  
 32 imposed by this Act to the extent deducted from

1 gross income in the computation of adjusted gross  
2 income for the taxable year;

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

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

20 (D-5) An amount, to the extent not included in  
21 adjusted gross income, equal to the amount of money  
22 withdrawn by the taxpayer in the taxable year from a  
23 medical care savings account and the interest earned  
24 on the account in the taxable year of a withdrawal  
25 pursuant to subsection (b) of Section 20 of the  
26 Medical Care Savings Account Act or subsection (b)  
27 of Section 20 of the Medical Care Savings Account  
28 Act of 2000;

29 (D-10) For taxable years ending after December  
30 31, 1997, an amount equal to any eligible  
31 remediation costs that the individual deducted in  
32 computing adjusted gross income and for which the  
33 individual claims a credit under subsection (l) of  
34 Section 201;



1           (D-15) For taxable years 2001 and thereafter,  
 2           an amount equal to the bonus depreciation deduction  
 3           (30% of the adjusted basis of the qualified  
 4           property) taken on the taxpayer's federal income tax  
 5           return for the taxable year under subsection (k) of  
 6           Section 168 of the Internal Revenue Code; and

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

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

19          (D-20) (Blank) ~~(D-15) For taxable years~~  
 20          ~~beginning on or after January 1, 2002, in the case~~  
 21          ~~of a distribution from a qualified tuition program~~  
 22          ~~under Section 529 of the Internal Revenue Code,~~  
 23          ~~other than (i) a distribution from a College Savings~~  
 24          ~~Pool created under Section 16.5 of the State~~  
 25          ~~Treasurer Act or (ii) a distribution from the~~  
 26          ~~Illinois Prepaid Tuition Trust Fund, an amount equal~~  
 27          ~~to the amount excluded from gross income under~~  
 28          ~~Section 529(e)(3)(B);~~

29          and by deducting from the total so obtained the sum of  
 30          the following amounts:

31          (E) For taxable years ending before December  
 32          31, 2001, any amount included in such total in  
 33          respect of any compensation (including but not  
 34          limited to any compensation paid or accrued to a

1           serviceman while a prisoner of war or missing in  
2           action) paid to a resident by reason of being on  
3           active duty in the Armed Forces of the United States  
4           and in respect of any compensation paid or accrued  
5           to a resident who as a governmental employee was a  
6           prisoner of war or missing in action, and in respect  
7           of any compensation paid to a resident in 1971 or  
8           thereafter for annual training performed pursuant to  
9           Sections 502 and 503, Title 32, United States Code  
10          as a member of the Illinois National Guard. For  
11          taxable years ending on or after December 31, 2001,  
12          any amount included in such total in respect of any  
13          compensation (including but not limited to any  
14          compensation paid or accrued to a serviceman while a  
15          prisoner of war or missing in action) paid to a  
16          resident by reason of being a member of any  
17          component of the Armed Forces of the United States  
18          and in respect of any compensation paid or accrued  
19          to a resident who as a governmental employee was a  
20          prisoner of war or missing in action, and in respect  
21          of any compensation paid to a resident in 2001 or  
22          thereafter by reason of being a member of the  
23          Illinois National Guard. The provisions of this  
24          amendatory Act of the 92nd General Assembly are  
25          exempt from the provisions of Section 250;

26                 (F) An amount equal to all amounts included in  
27          such total pursuant to the provisions of Sections  
28          402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
29          408 of the Internal Revenue Code, or included in  
30          such total as distributions under the provisions of  
31          any retirement or disability plan for employees of  
32          any governmental agency or unit, or retirement  
33          payments to retired partners, which payments are  
34          excluded in computing net earnings from self

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

3 (G) The valuation limitation amount;

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

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

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

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

29 (L) For taxable years ending after December  
30 31, 1983, an amount equal to all social security  
31 benefits and railroad retirement benefits included  
32 in such total pursuant to Sections 72(r) and 86 of  
33 the Internal Revenue Code;

34 (M) With the exception of any amounts

1 subtracted under subparagraph (N), an amount equal  
2 to the sum of all amounts disallowed as deductions  
3 by (i) Sections 171(a) (2), and 265(2) of the  
4 Internal Revenue Code of 1954, as now or hereafter  
5 amended, and all amounts of expenses allocable to  
6 interest and disallowed as deductions by Section  
7 265(1) of the Internal Revenue Code of 1954, as now  
8 or hereafter amended; and (ii) for taxable years  
9 ending on or after August 13, 1999, Sections  
10 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
11 Internal Revenue Code; the provisions of this  
12 subparagraph are exempt from the provisions of  
13 Section 250;

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

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

27 (P) An amount equal to the amount of the  
28 deduction used to compute the federal income tax  
29 credit for restoration of substantial amounts held  
30 under claim of right for the taxable year pursuant  
31 to Section 1341 of the Internal Revenue Code of  
32 1986;

33 (Q) An amount equal to any amounts included in  
34 such total, received by the taxpayer as an

1 acceleration in the payment of life, endowment or  
2 annuity benefits in advance of the time they would  
3 otherwise be payable as an indemnity for a terminal  
4 illness;

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

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

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

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

31 (V) Beginning with tax years ending on or  
32 after December 31, 1995 and ending with tax years  
33 ending on or before December 31, 2004, an amount  
34 equal to the amount paid by a taxpayer who is a

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

26 (W) For taxable years beginning on or after  
27 January 1, 1998, all amounts included in the  
28 taxpayer's federal gross income in the taxable year  
29 from amounts converted from a regular IRA to a Roth  
30 IRA. This paragraph is exempt from the provisions of  
31 Section 250;

32 (X) For taxable year 1999 and thereafter, an  
33 amount equal to the amount of any (i) distributions,  
34 to the extent includible in gross income for federal

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

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

1           2002, moneys contributed in the taxable year to a  
2 College Savings Pool account under Section 16.5 of  
3 the State Treasurer Act, except that amounts  
4 excluded from gross income under Section  
5 529(c)(3)(C)(i) of the Internal Revenue Code shall  
6 not be considered moneys contributed under this  
7 subparagraph (Y). For taxable years ending after  
8 December 31, 2002, moneys contributed to a College  
9 Savings Pool account under Section 16.5 of the State  
10 Treasurer Act, to the Illinois Prepaid Tuition Trust  
11 Fund under the Illinois Prepaid Tuition Act, or to  
12 any other qualified tuition program under Section  
13 529 of the Internal Revenue Code, except that  
14 amounts rolled over into a program under Section  
15 529(c)(3)(C)(i) of the Internal Revenue Code shall  
16 not be considered moneys contributed under this  
17 subparagraph (Y). This subparagraph (Y) is exempt  
18 from the provisions of Section 250;

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

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



1 the bonus depreciation deduction; and  
 2 (2) "x" equals "y" multiplied by 30 and  
 3 then divided by 70 (or "y" multiplied by  
 4 0.429).

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

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

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

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

26 (b) Corporations.

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

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

33 (A) An amount equal to all amounts paid or  
 34 accrued to the taxpayer as interest and all

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

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

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

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

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

34 (i) the addition modification relating to

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

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

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

23                   (E-5) For taxable years ending after December  
24           31, 1997, an amount equal to any eligible  
25           remediation costs that the corporation deducted in  
26           computing adjusted gross income and for which the  
27           corporation claims a credit under subsection (l) of  
28           Section 201;

29                   (E-10) 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           (E-11) 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 (E-10), then an amount equal to the  
7           aggregate amount of the deductions taken in all  
8           taxable years under subparagraph (T) 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 sum of  
14           the following amounts:

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

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

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

27           (I) With the exception of any amounts  
28           subtracted under subparagraph (J), an amount equal  
29           to the sum of all amounts disallowed as deductions  
30           by (i) Sections 171(a) (2), and 265(a)(2) and  
31           amounts disallowed as interest expense by Section  
32           291(a)(3) of the Internal Revenue Code, as now or  
33           hereafter amended, and all amounts of expenses  
34           allocable to interest and disallowed as deductions

1 by Section 265(a)(1) of the Internal Revenue Code,  
2 as now or hereafter amended; and (ii) for taxable  
3 years ending on or after August 13, 1999, Sections  
4 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
5 of the Internal Revenue Code; the provisions of this  
6 subparagraph are exempt from the provisions of  
7 Section 250;

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

18 (K) An amount equal to those dividends  
19 included in such total which were paid by a  
20 corporation which conducts business operations in an  
21 Enterprise Zone or zones created under the Illinois  
22 Enterprise Zone Act and conducts substantially all  
23 of its operations in an Enterprise Zone or zones;

24 (L) An amount equal to those dividends  
25 included in such total that were paid by a  
26 corporation that conducts business operations in a  
27 federally designated Foreign Trade Zone or Sub-Zone  
28 and that is designated a High Impact Business  
29 located in Illinois; provided that dividends  
30 eligible for the deduction provided in subparagraph  
31 (K) of paragraph 2 of this subsection shall not be  
32 eligible for the deduction provided under this  
33 subparagraph (L);

34 (M) For any taxpayer that is a financial

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

22 (M-1) For any taxpayer that is a financial  
23 organization within the meaning of Section 304(c) of  
24 this Act, an amount included in such total as  
25 interest income from a loan or loans made by such  
26 taxpayer to a borrower, to the extent that such a  
27 loan is secured by property which is eligible for  
28 the High Impact Business Investment Credit. To  
29 determine the portion of a loan or loans that is  
30 secured by property eligible for a Section 201(h)  
31 investment credit to the borrower, the entire  
32 principal amount of the loan or loans between the  
33 taxpayer and the borrower should be divided into the  
34 basis of the Section 201(h) investment credit

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

15 (N) Two times any contribution made during the  
16 taxable year to a designated zone organization to  
17 the extent that the contribution (i) qualifies as a  
18 charitable contribution under subsection (c) of  
19 Section 170 of the Internal Revenue Code and (ii)  
20 must, by its terms, be used for a project approved  
21 by the Department of Commerce and Community Affairs  
22 under Section 11 of the Illinois Enterprise Zone  
23 Act;

24 (O) An amount equal to: (i) 85% for taxable  
25 years ending on or before December 31, 1992, or, a  
26 percentage equal to the percentage allowable under  
27 Section 243(a)(1) of the Internal Revenue Code of  
28 1986 for taxable years ending after December 31,  
29 1992, of the amount by which dividends included in  
30 taxable income and received from a corporation that  
31 is not created or organized under the laws of the  
32 United States or any state or political subdivision  
33 thereof, including, for taxable years ending on or  
34 after December 31, 1988, dividends received or

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

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

23 (Q) An amount equal to the amount of the  
24 deduction used to compute the federal income tax  
25 credit for restoration of substantial amounts held  
26 under claim of right for the taxable year pursuant  
27 to Section 1341 of the Internal Revenue Code of  
28 1986;

29 (R) In the case of an attorney-in-fact with  
30 respect to whom an interinsurer or a reciprocal  
31 insurer has made the election under Section 835 of  
32 the Internal Revenue Code, 26 U.S.C. 835, an amount  
33 equal to the excess, if any, of the amounts paid or  
34 incurred by that interinsurer or reciprocal insurer



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

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

17 (T) 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          (U) 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 (E-10), 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          (3) Special rule. For purposes of paragraph (2)  
22          (A), "gross income" in the case of a life insurance  
23          company, for tax years ending on and after December 31,  
24          1994, shall mean the gross investment income for the  
25          taxable year.

26          (c) Trusts and estates.

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

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

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

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

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

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

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

29           (i) the addition modification relating to  
30 the net operating loss carried back or forward  
31 to the taxable year from any taxable year  
32 ending prior to December 31, 1986 shall be  
33 reduced by the amount of addition modification  
34 under this subparagraph (E) which related to

1           that net operating loss and which was taken  
2           into account in calculating the base income of  
3           an earlier taxable year, and

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

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

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

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

28          (G-5) For taxable years ending after December  
29          31, 1997, an amount equal to any eligible  
30          remediation costs that the trust or estate deducted  
31          in computing adjusted gross income and for which the  
32          trust or estate claims a credit under subsection (1)  
33          of Section 201;

34          (G-10) For taxable years 2001 and thereafter,

1 an amount equal to the bonus depreciation deduction  
2 (30% of the adjusted basis of the qualified  
3 property) taken on the taxpayer's federal income tax  
4 return for the taxable year under subsection (k) of  
5 Section 168 of the Internal Revenue Code; and

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

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

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

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

31 (I) The valuation limitation amount;

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

1 year;

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

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

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

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

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

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

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

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

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



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

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

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

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

22                  (3) Limitation. The amount of any modification  
23                  otherwise required under this subsection shall, under  
24                  regulations prescribed by the Department, be adjusted by  
25                  any amounts included therein which were properly paid,  
26                  credited, or required to be distributed, or permanently  
27                  set aside for charitable purposes pursuant to Internal  
28                  Revenue Code Section 642(c) during the taxable year.

29                  (d) Partnerships.

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

33                  (2) Modifications. The taxable income referred to  
34                  in paragraph (1) shall be modified by adding thereto the

1 sum of the following amounts:

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

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

9 (C) The amount of deductions allowed to the  
10 partnership pursuant to Section 707 (c) of the  
11 Internal Revenue Code in calculating its taxable  
12 income;

13 (D) An amount equal to the amount of the  
14 capital gain deduction allowable under the Internal  
15 Revenue Code, to the extent deducted from gross  
16 income in the computation of taxable income;

17 (D-5) For taxable years 2001 and thereafter,  
18 an amount equal to the bonus depreciation deduction  
19 (30% of the adjusted basis of the qualified  
20 property) taken on the taxpayer's federal income tax  
21 return for the taxable year under subsection (k) of  
22 Section 168 of the Internal Revenue Code; and

23 (D-6) If the taxpayer reports a capital gain  
24 or loss on the taxpayer's federal income tax return  
25 for the taxable year based on a sale or transfer of  
26 property for which the taxpayer was required in any  
27 taxable year to make an addition modification under  
28 subparagraph (D-5), then an amount equal to the  
29 aggregate amount of the deductions taken in all  
30 taxable years under subparagraph (D) with respect to  
31 that property.†

32 The taxpayer is required to make the addition  
33 modification under this subparagraph only once with  
34 respect to any one piece of property;

1 and by deducting from the total so obtained the following  
2 amounts:

3 (E) The valuation limitation amount;

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

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

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

26 (I) An amount equal to all amounts of income  
27 distributable to an entity subject to the Personal  
28 Property Tax Replacement Income Tax imposed by  
29 subsections (c) and (d) of Section 201 of this Act  
30 including amounts distributable to organizations  
31 exempt from federal income tax by reason of Section  
32 501(a) of the Internal Revenue Code;

33 (J) With the exception of any amounts  
34 subtracted under subparagraph (G), an amount equal

1 to the sum of all amounts disallowed as deductions  
2 by (i) Sections 171(a) (2), and 265(2) of the  
3 Internal Revenue Code of 1954, as now or hereafter  
4 amended, and all amounts of expenses allocable to  
5 interest and disallowed as deductions by Section  
6 265(1) of the Internal Revenue Code, as now or  
7 hereafter amended; and (ii) for taxable years ending  
8 on or after August 13, 1999, Sections 171(a)(2),  
9 265, 280C, and 832(b)(5)(B)(i) of the Internal  
10 Revenue Code; the provisions of this subparagraph  
11 are exempt from the provisions of Section 250;

12 (K) An amount equal to those dividends  
13 included in such total which were paid by a  
14 corporation which conducts business operations in an  
15 Enterprise Zone or zones created under the Illinois  
16 Enterprise Zone Act, enacted by the 82nd General  
17 Assembly, and conducts substantially all of its  
18 operations in an Enterprise Zone or Zones;

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

23 (M) An amount equal to those dividends  
24 included in such total that were paid by a  
25 corporation that conducts business operations in a  
26 federally designated Foreign Trade Zone or Sub-Zone  
27 and that is designated a High Impact Business  
28 located in Illinois; provided that dividends  
29 eligible for the deduction provided in subparagraph  
30 (K) of paragraph (2) of this subsection shall not be  
31 eligible for the deduction provided under this  
32 subparagraph (M);

33 (N) An amount equal to the amount of the  
34 deduction used to compute the federal income tax

1 credit for restoration of substantial amounts held  
2 under claim of right for the taxable year pursuant  
3 to Section 1341 of the Internal Revenue Code of  
4 1986;

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

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

22 (2) "x" equals "y" multiplied by 30 and  
23 then divided by 70 (or "y" multiplied by  
24 0.429).

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

33 (P) If the taxpayer reports a capital gain or  
34 loss on the taxpayer's federal income tax return for

1           the taxable year based on a sale or transfer of  
2           property for which the taxpayer was required in any  
3           taxable year to make an addition modification under  
4           subparagraph (D-5), then an amount equal to that  
5           addition modification.

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

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

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

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

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

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

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

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

27 (D) Real estate investment trusts. In the  
28 case of a real estate investment trust subject to  
29 the tax imposed by Section 857 of the Internal  
30 Revenue Code, real estate investment trust taxable  
31 income;

32 (E) Consolidated corporations. In the case of  
33 a corporation which is a member of an affiliated  
34 group of corporations filing a consolidated income

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

11 (F) Cooperatives. In the case of a  
12 cooperative corporation or association, the taxable  
13 income of such organization determined in accordance  
14 with the provisions of Section 1381 through 1388 of  
15 the Internal Revenue Code;

16 (G) Subchapter S corporations. In the case  
17 of: (i) a Subchapter S corporation for which there  
18 is in effect an election for the taxable year under  
19 Section 1362 of the Internal Revenue Code, the  
20 taxable income of such corporation determined in  
21 accordance with Section 1363(b) of the Internal  
22 Revenue Code, except that taxable income shall take  
23 into account those items which are required by  
24 Section 1363(b)(1) of the Internal Revenue Code to  
25 be separately stated; and (ii) a Subchapter S  
26 corporation for which there is in effect a federal  
27 election to opt out of the provisions of the  
28 Subchapter S Revision Act of 1982 and have applied  
29 instead the prior federal Subchapter S rules as in  
30 effect on July 1, 1982, the taxable income of such  
31 corporation determined in accordance with the  
32 federal Subchapter S rules as in effect on July 1,  
33 1982; and

34 (H) Partnerships. In the case of a



1 partnership, taxable income determined in accordance  
2 with Section 703 of the Internal Revenue Code,  
3 except that taxable income shall take into account  
4 those items which are required by Section 703(a)(1)  
5 to be separately stated but which would be taken  
6 into account by an individual in calculating his  
7 taxable income.

8 (f) Valuation limitation amount.

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

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

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

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

28 (A) If the fair market value of property  
29 referred to in paragraph (1) was readily  
30 ascertainable on August 1, 1969, the pre-August 1,  
31 1969 appreciation amount for such property is the  
32 lesser of (i) the excess of such fair market value  
33 over the taxpayer's basis (for determining gain) for  
34 such property on that date (determined under the

1 Internal Revenue Code as in effect on that date), or  
2 (ii) the total gain realized and reportable for  
3 federal income tax purposes in respect of the sale,  
4 exchange or other disposition of such property.

5 (B) If the fair market value of property  
6 referred to in paragraph (1) was not readily  
7 ascertainable on August 1, 1969, the pre-August 1,  
8 1969 appreciation amount for such property is that  
9 amount which bears the same ratio to the total gain  
10 reported in respect of the property for federal  
11 income tax purposes for the taxable year, as the  
12 number of full calendar months in that part of the  
13 taxpayer's holding period for the property ending  
14 July 31, 1969 bears to the number of full calendar  
15 months in the taxpayer's entire holding period for  
16 the property.

17 (C) The Department shall prescribe such  
18 regulations as may be necessary to carry out the  
19 purposes of this paragraph.

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

23 (h) Legislative intention. Except as expressly provided  
24 by this Section there shall be no modifications or  
25 limitations on the amounts of income, gain, loss or deduction  
26 taken into account in determining gross income, adjusted  
27 gross income or taxable income for federal income tax  
28 purposes for the taxable year, or in the amount of such items  
29 entering into the computation of base income and net income  
30 under this Act for such taxable year, whether in respect of  
31 property values as of August 1, 1969 or otherwise.

32 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
33 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.

1 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
2 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
3 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
4 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

5 Section 99. Effective date. This Act takes effect upon  
6 becoming law.