



# Adopted in House Comm. on May 13, 2004

09300SB2206ham001

LRB093 15832 BDD 50827 a

1 AMENDMENT TO SENATE BILL 2206

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 2206 by replacing  
3 everything after the enacting clause with the following:

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

23 (B) An amount equal to the amount of tax imposed by  
24 this Act to the extent deducted from gross income in

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

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

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

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21 withdrawn by the taxpayer in the taxable year from a  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

27 (D-10) For taxable years ending after December 31,  
28 1997, an amount equal to any eligible remediation costs  
29 that the individual deducted in computing adjusted  
30 gross income and for which the individual claims a  
31 credit under subsection (1) of Section 201;

32 (D-15) For taxable years 2001 and thereafter, an  
33 amount equal to the bonus depreciation deduction (30%  
34 of the adjusted basis of the qualified property) taken

1 on the taxpayer's federal income tax return for the  
2 taxable year under subsection (k) of Section 168 of the  
3 Internal Revenue Code; ~~and~~

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

13 The taxpayer is required to make the addition  
14 modification under this subparagraph only once with  
15 respect to any one piece of property;~~†~~ and

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

25 and by deducting from the total so obtained the sum of the  
26 following amounts:

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

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

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

31 (G) The valuation limitation amount;

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

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

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

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

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

26           (M) With the exception of any amounts subtracted  
27 under subparagraph (N), an amount equal to the sum of  
28 all amounts disallowed as deductions by (i) Sections  
29 171(a) (2), and 265(2) of the Internal Revenue Code of  
30 1954, as now or hereafter amended, and all amounts of  
31 expenses allocable to interest and disallowed as  
32 deductions by Section 265(1) of the Internal Revenue  
33 Code of 1954, as now or hereafter amended; and (ii) for  
34 taxable years ending on or after August 13, 1999,

1 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of  
2 the Internal Revenue Code; the provisions of this  
3 subparagraph are exempt from the provisions of Section  
4 250;

5 (N) An amount equal to all amounts included in such  
6 total which are exempt from taxation by this State  
7 either by reason of its statutes or Constitution or by  
8 reason of the Constitution, treaties or statutes of the  
9 United States; provided that, in the case of any  
10 statute of this State or of the United States, any  
11 treaty of the United States, the Illinois  
12 Constitution, or the United States Constitution that  
13 exempts income derived from bonds or other obligations  
14 from the tax imposed under this Act, the amount  
15 exempted shall be the income interest net of bond  
16 premium amortization, interest expense incurred on  
17 indebtedness to carry the bond or other obligation,  
18 expenses incurred in producing the income to be  
19 deducted, and all other related expenses. The amount of  
20 expenses to be taken into account under this provision  
21 may not exceed the amount of income that is exempted;

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

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

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

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

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

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

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

24           (V) Beginning with tax years ending on or after  
25 December 31, 1995 and ending with tax years ending on  
26 or before December 31, 2004, an amount equal to the  
27 amount paid by a taxpayer who is a self-employed  
28 taxpayer, a partner of a partnership, or a shareholder  
29 in a Subchapter S corporation for health insurance or  
30 long-term care insurance for that taxpayer or that  
31 taxpayer's spouse or dependents, to the extent that the  
32 amount paid for that health insurance or long-term care  
33 insurance may be deducted under Section 213 of the  
34 Internal Revenue Code of 1986, has not been deducted on

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

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

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



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

21 (Y) For taxable years beginning on or after January  
22 1, 2002, moneys contributed in the taxable year to a  
23 College Savings Pool account under Section 16.5 of the  
24 State Treasurer Act, except that amounts excluded from  
25 gross income under Section 529(c)(3)(C)(i) of the  
26 Internal Revenue Code shall not be considered moneys  
27 contributed under this subparagraph (Y). This  
28 subparagraph (Y) is exempt from the provisions of  
29 Section 250;

30 (Z) For taxable years 2001 and thereafter, for the  
31 taxable year in which the bonus depreciation deduction  
32 (30% of the adjusted basis of the qualified property)  
33 is taken on the taxpayer's federal income tax return  
34 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year  
2 thereafter, an amount equal to "x", where:

3 (1) "y" equals the amount of the depreciation  
4 deduction taken for the taxable year on the  
5 taxpayer's federal income tax return on property  
6 for which the bonus depreciation deduction (30% of  
7 the adjusted basis of the qualified property) was  
8 taken in any year under subsection (k) of Section  
9 168 of the Internal Revenue Code, but not including  
10 the bonus depreciation deduction; and

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

13 The aggregate amount deducted under this  
14 subparagraph in all taxable years for any one piece of  
15 property may not exceed the amount of the bonus  
16 depreciation deduction (30% of the adjusted basis of  
17 the qualified property) taken on that property on the  
18 taxpayer's federal income tax return under subsection  
19 (k) of Section 168 of the Internal Revenue Code; ~~and~~

20 (AA) If the taxpayer reports a capital gain or loss  
21 on the taxpayer's federal income tax return for the  
22 taxable year based on a sale or transfer of property  
23 for which the taxpayer was required in any taxable year  
24 to make an addition modification under subparagraph  
25 (D-15), then an amount equal to that addition  
26 modification.

27 The taxpayer is allowed to take the deduction under  
28 this subparagraph only once with respect to any one  
29 piece of property; and

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

33 (b) Corporations.

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

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

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

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

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

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

29           (E) For taxable years in which a net operating loss  
30 carryback or carryforward from a taxable year ending  
31 prior to December 31, 1986 is an element of taxable  
32 income under paragraph (1) of subsection (e) or  
33 subparagraph (E) of paragraph (2) of subsection (e),  
34 the amount by which addition modifications other than

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

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

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

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

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

30 (E-10) For taxable years 2001 and thereafter, an  
31 amount equal to the bonus depreciation deduction (30%  
32 of the adjusted basis of the qualified property) taken  
33 on the taxpayer's federal income tax return for the  
34 taxable year under subsection (k) of Section 168 of the

1 Internal Revenue Code; and

2 (E-11) If the taxpayer reports a capital gain or  
3 loss on the taxpayer's federal income tax return for  
4 the taxable year based on a sale or transfer of  
5 property for which the taxpayer was required in any  
6 taxable year to make an addition modification under  
7 subparagraph (E-10), then an amount equal to the  
8 aggregate amount of the deductions taken in all taxable  
9 years under subparagraph (T) with respect to that  
10 property.~~†~~

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

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

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

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

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

26 (I) With the exception of any amounts subtracted  
27 under subparagraph (J), an amount equal to the sum of  
28 all amounts disallowed as deductions by (i) Sections  
29 171(a) (2), and 265(a) (2) and amounts disallowed as  
30 interest expense by Section 291(a) (3) of the Internal  
31 Revenue Code, as now or hereafter amended, and all  
32 amounts of expenses allocable to interest and  
33 disallowed as deductions by Section 265(a) (1) of the  
34 Internal Revenue Code, as now or hereafter amended; and

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

6 (J) An amount equal to all amounts included in such  
7 total which are exempt from taxation by this State  
8 either by reason of its statutes or Constitution or by  
9 reason of the Constitution, treaties or statutes of the  
10 United States; provided that, in the case of any  
11 statute of this State or of the United States, any  
12 treaty of the United States, the Illinois  
13 Constitution, or the United States Constitution that  
14 exempts income derived from bonds or other obligations  
15 from the tax imposed under this Act, the amount  
16 exempted shall be the income ~~interest~~ net of bond  
17 premium amortization, interest expense incurred on  
18 indebtedness to carry the bond or other obligation,  
19 expenses incurred in producing the income to be  
20 deducted, and all other related expenses. The amount of  
21 expenses to be taken into account under this provision  
22 may not exceed the amount of income that is exempted;

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

29 (L) An amount equal to those dividends included in  
30 such total that were paid by a corporation that  
31 conducts business operations in a federally designated  
32 Foreign Trade Zone or Sub-Zone and that is designated a  
33 High Impact Business located in Illinois; provided  
34 that dividends eligible for the deduction provided in

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

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

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

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

15 (N) Two times any contribution made during the  
16 taxable year to a designated zone organization to the  
17 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) must,  
20 by its terms, be used for a project approved by the  
21 Department of Commerce and Economic Opportunity  
22 ~~Community Affairs~~ under Section 11 of the Illinois  
23 Enterprise Zone Act;

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



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

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

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

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

1 Internal Revenue Code for the taxable year;

2 (S) For taxable years ending on or after December  
3 31, 1997, in the case of a Subchapter S corporation, an  
4 amount equal to all amounts of income allocable to a  
5 shareholder subject to the Personal Property Tax  
6 Replacement Income Tax imposed by subsections (c) and  
7 (d) of Section 201 of this Act, including amounts  
8 allocable to organizations exempt from federal income  
9 tax by reason of Section 501(a) of the Internal Revenue  
10 Code. This subparagraph (S) is exempt from the  
11 provisions of Section 250;

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

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

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

29 The aggregate amount deducted under this  
30 subparagraph in all taxable years for any one piece of  
31 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 the  
34 taxpayer's federal income tax return under subsection

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

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

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

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

16 (c) Trusts and estates.

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

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

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

28 (B) In the case of (i) an estate, \$600; (ii) a  
29 trust which, under its governing instrument, is  
30 required to distribute all of its income currently,  
31 \$300; and (iii) any other trust, \$100, but in each such  
32 case, only to the extent such amount was deducted in  
33 the computation of taxable income;

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

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

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

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

26 (ii) the addition modification relating to the  
27 net operating loss carried back or forward to the  
28 taxable year from any taxable year ending prior to  
29 December 31, 1986 shall not exceed the amount of  
30 such carryback or carryforward;

31 For taxable years in which there is a net operating  
32 loss carryback or carryforward from more than one other  
33 taxable year ending prior to December 31, 1986, the  
34 addition modification provided in this subparagraph

1 (E) shall be the sum of the amounts computed  
2 independently under the preceding provisions of this  
3 subparagraph (E) for each such taxable year;

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

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

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

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

25 (G-11) If the taxpayer reports a capital gain or  
26 loss on the taxpayer's federal income tax return for  
27 the taxable year based on a sale or transfer of  
28 property for which the taxpayer was required in any  
29 taxable year to make an addition modification under  
30 subparagraph (G-10), then an amount equal to the  
31 aggregate amount of the deductions taken in all taxable  
32 years under subparagraph (R) with respect to that  
33 property.†

34 The taxpayer is required to make the addition

1 modification under this subparagraph only once with  
2 respect to any one piece of property;  
3 and by deducting from the total so obtained the sum of the  
4 following amounts:

5 (H) An amount equal to all amounts included in such  
6 total pursuant to the provisions of Sections 402(a),  
7 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
8 Internal Revenue Code or included in such total as  
9 distributions under the provisions of any retirement  
10 or disability plan for employees of any governmental  
11 agency or unit, or retirement payments to retired  
12 partners, which payments are excluded in computing net  
13 earnings from self employment by Section 1402 of the  
14 Internal Revenue Code and regulations adopted pursuant  
15 thereto;

16 (I) The valuation limitation amount;

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

20 (K) An amount equal to all amounts included in  
21 taxable income as modified by subparagraphs (A), (B),  
22 (C), (D), (E), (F) and (G) which are exempt from  
23 taxation by this State either by reason of its statutes  
24 or 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 or of  
27 the United States, any treaty of the United States, the  
28 Illinois Constitution, or the United States  
29 Constitution that exempts income derived from bonds or  
30 other obligations from the tax imposed under this Act,  
31 the amount exempted shall be the income interest net of  
32 bond premium amortization, interest expense incurred  
33 on indebtedness to carry the bond or other obligation,  
34 expenses incurred in producing the income to be

1           deducted, and all other related expenses. The amount of  
2           expenses to be taken into account under this provision  
3           may not exceed the amount of income that is exempted;

4           (L) With the exception of any amounts subtracted  
5           under subparagraph (K), an amount equal to the sum of  
6           all amounts disallowed as deductions by (i) Sections  
7           171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
8           as now or hereafter amended, and all amounts of  
9           expenses allocable to interest and disallowed as  
10          deductions by Section 265(1) of the Internal Revenue  
11          Code of 1954, as now or hereafter amended; and (ii) for  
12          taxable years ending on or after August 13, 1999,  
13          Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
14          the Internal Revenue Code; the provisions of this  
15          subparagraph are exempt from the provisions of Section  
16          250;

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

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

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

1           (P) An amount equal to the amount of the deduction  
2 used to compute the federal income tax credit for  
3 restoration of substantial amounts held under claim of  
4 right for the taxable year pursuant to Section 1341 of  
5 the Internal Revenue Code of 1986;

6           (Q) For taxable year 1999 and thereafter, an amount  
7 equal to the amount of any (i) distributions, to the  
8 extent includible in gross income for federal income  
9 tax purposes, made to the taxpayer because of his or  
10 her status as a victim of persecution for racial or  
11 religious reasons by Nazi Germany or any other Axis  
12 regime or as an heir of the victim and (ii) items of  
13 income, to the extent includible in gross income for  
14 federal income tax purposes, attributable to, derived  
15 from or in any way related to assets stolen from,  
16 hidden from, or otherwise lost to a victim of  
17 persecution for racial or religious reasons by Nazi  
18 Germany or any other Axis regime immediately prior to,  
19 during, and immediately after World War II, including,  
20 but not limited to, interest on the proceeds receivable  
21 as insurance under policies issued to a victim of  
22 persecution for racial or religious reasons by Nazi  
23 Germany or any other Axis regime by European insurance  
24 companies immediately prior to and during World War II;  
25 provided, however, this subtraction from federal  
26 adjusted gross income does not apply to assets acquired  
27 with such assets or with the proceeds from the sale of  
28 such assets; provided, further, this paragraph shall  
29 only apply to a taxpayer who was the first recipient of  
30 such assets after their recovery and who is a victim of  
31 persecution for racial or religious reasons by Nazi  
32 Germany or any other Axis regime or as an heir of the  
33 victim. The amount of and the eligibility for any  
34 public assistance, benefit, or similar entitlement is



1 not affected by the inclusion of items (i) and (ii) of  
2 this paragraph in gross income for federal income tax  
3 purposes. This paragraph is exempt from the provisions  
4 of Section 250;

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

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

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

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

29 (S) If the taxpayer reports a capital gain or loss  
30 on the taxpayer's federal income tax return for the  
31 taxable year based on a sale or transfer of property  
32 for which the taxpayer was required in any taxable year  
33 to make an addition modification under subparagraph  
34 (G-10), then an amount equal to that addition

1 modification.

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

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

12 (d) Partnerships.

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

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

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

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

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

29 (D) An amount equal to the amount of the capital  
30 gain deduction allowable under the Internal Revenue  
31 Code, to the extent deducted from gross income in the  
32 computation of taxable income;

33 (D-5) For taxable years 2001 and thereafter, an

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

6 (D-6) If the taxpayer reports a capital gain or  
7 loss on the taxpayer's federal income tax return for  
8 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 (D-5), then an amount equal to the  
12 aggregate amount of the deductions taken in all taxable  
13 years under subparagraph (O) with respect to that  
14 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 following  
19 amounts:

20 (E) The valuation limitation amount;

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

24 (G) An amount equal to all amounts included in  
25 taxable income as modified by subparagraphs (A), (B),  
26 (C) and (D) which are exempt from taxation by this  
27 State either by reason of its statutes or Constitution  
28 or by reason of the Constitution, treaties or statutes  
29 of the United States; provided that, in the case of any  
30 statute of this State or of the United States, any  
31 treaty of the United States, the Illinois  
32 Constitution, or the United States Constitution that  
33 exempts income derived from bonds or other obligations  
34 from the tax imposed under this Act, the amount

1           exempted shall be the income ~~interest~~ net of bond  
2           premium amortization, interest expense incurred on  
3           indebtedness to carry the bond or other obligation,  
4           expenses incurred in producing the income to be  
5           deducted, and all other related expenses. The amount of  
6           expenses to be taken into account under this provision  
7           may not exceed the amount of income that is exempted;

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

14          (I) An amount equal to all amounts of income  
15          distributable to an entity subject to the Personal  
16          Property Tax Replacement Income Tax imposed by  
17          subsections (c) and (d) of Section 201 of this Act  
18          including amounts distributable to organizations  
19          exempt from federal income tax by reason of Section  
20          501(a) of the Internal Revenue Code;

21          (J) With the exception of any amounts subtracted  
22          under subparagraph (G), an amount equal to the sum of  
23          all amounts disallowed as deductions by (i) Sections  
24          171(a) (2), and 265(2) of the Internal Revenue Code of  
25          1954, as now or hereafter amended, and all amounts of  
26          expenses allocable to interest and disallowed as  
27          deductions by Section 265(1) of the Internal Revenue  
28          Code, 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, and 832(b) (5) (B) (i) of the  
31          Internal Revenue Code; the provisions of this  
32          subparagraph are exempt from the provisions of Section  
33          250;

34          (K) An amount equal to those dividends included in

1 such total which were paid by a corporation which  
2 conducts business operations in an Enterprise Zone or  
3 zones created under the Illinois Enterprise Zone Act,  
4 enacted by the 82nd General Assembly, and conducts  
5 substantially all of its operations in an Enterprise  
6 Zone or Zones;

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

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

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

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

31 (1) "y" equals the amount of the depreciation  
32 deduction taken for the taxable year on the  
33 taxpayer's federal income tax return on property  
34 for which the bonus depreciation deduction (30% of

1 the adjusted basis of the qualified property) was  
2 taken in any year under subsection (k) of Section  
3 168 of the Internal Revenue Code, but not including  
4 the bonus depreciation deduction; and

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

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

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

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

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

25 (1) In general. Subject to the provisions of paragraph  
26 (2) and subsection (b) (3), for purposes of this Section  
27 and Section 803(e), a taxpayer's gross income, adjusted  
28 gross income, or taxable income for the taxable year shall  
29 mean the amount of gross income, adjusted gross income or  
30 taxable income properly reportable for federal income tax  
31 purposes for the taxable year under the provisions of the  
32 Internal Revenue Code. Taxable income may be less than  
33 zero. However, for taxable years ending on or after

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

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

27 (A) Certain life insurance companies. In the case  
28 of a life insurance company subject to the tax imposed  
29 by Section 801 of the Internal Revenue Code, life  
30 insurance company taxable income, plus the amount of  
31 distribution from pre-1984 policyholder surplus  
32 accounts as calculated under Section 815a of the  
33 Internal Revenue Code;

34 (B) Certain other insurance companies. In the case

1 of mutual insurance companies subject to the tax  
2 imposed by Section 831 of the Internal Revenue Code,  
3 insurance company taxable income;

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

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

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

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

29 (G) Subchapter S corporations. In the case of: (i)  
30 a Subchapter S corporation for which there is in effect  
31 an election for the taxable year under Section 1362 of  
32 the Internal Revenue Code, the taxable income of such  
33 corporation determined in accordance with Section  
34 1363(b) of the Internal Revenue Code, except that



1 taxable income shall take into account those items  
2 which are required by Section 1363(b)(1) of the  
3 Internal Revenue Code to be separately stated; and (ii)  
4 a Subchapter S corporation for which there is in effect  
5 a federal election to opt out of the provisions of the  
6 Subchapter S Revision Act of 1982 and have applied  
7 instead the prior federal Subchapter S rules as in  
8 effect on July 1, 1982, the taxable income of such  
9 corporation determined in accordance with the federal  
10 Subchapter S rules as in effect on July 1, 1982; and

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

18 (f) Valuation limitation amount.

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

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

27 (B) The lesser of (i) the sum of the pre-August 1,  
28 1969 appreciation amounts (to the extent consisting of  
29 capital gain) for all property in respect of which such  
30 gain was reported for federal income tax purposes for  
31 the taxable year, or (ii) the net capital gain for the  
32 taxable year, reduced in either case by any amount of  
33 such gain included in the amount determined under

1 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

25 (C) The Department shall prescribe such  
26 regulations as may be necessary to carry out the  
27 purposes of this paragraph.

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

31 (h) Legislative intention. Except as expressly provided by  
32 this Section there shall be no modifications or limitations on

1 the amounts of income, gain, loss or deduction taken into  
2 account in determining gross income, adjusted gross income or  
3 taxable income for federal income tax purposes for the taxable  
4 year, or in the amount of such items entering into the  
5 computation of base income and net income under this Act for  
6 such taxable year, whether in respect of property values as of  
7 August 1, 1969 or otherwise.

8 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
9 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
10 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
11 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
12 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
13 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)".