



93RD GENERAL ASSEMBLY
State of Illinois
2003 and 2004

Introduced 2/6/2004, by Jeffrey M. Schoenberg

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203 from Ch. 120, par. 2-203
35 ILCS 5/216 new
35 ILCS 5/217 new

Amends the Illinois Income Tax Act. Allows corporations to take an income tax deduction in an amount equal to all amounts paid to Illinois research institutions during the taxable year for the purpose of fostering research and development in high technology leading to the development of new products and services that can be marketed by Illinois businesses. Creates a new business technology development credit for Illinois small business concerns that have been doing business for 4 years or less and that conduct primarily all of their business operations in Illinois in the amount of 25% of all qualified research expenses for Illinois high technology research and development activities leading to the development of new or improved products and services that can be marketed by Illinois businesses. Creates a high technology research credit for qualifying high technology research activities in this State. Provides that a taxpayer may not claim both credits for the same taxable year. Effective immediately.

LRB093 19351 SJM 45087 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning taxes.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 203 and by adding Sections 216 and 217 as
6 follows:

7 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

8 Sec. 203. Base income defined.

9 (a) Individuals.

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

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

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

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

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

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

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

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

20 (D-10) For taxable years ending after December 31,
21 1997, an amount equal to any eligible remediation costs
22 that the individual deducted in computing adjusted
23 gross income and for which the individual claims a
24 credit under subsection (l) of Section 201;

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

31 (D-16) If the taxpayer reports a capital gain or
32 loss on the taxpayer's federal income tax return for
33 the taxable year based on a sale or transfer of
34 property for which the taxpayer was required in any
35 taxable year to make an addition modification under
36 subparagraph (D-15), then an amount equal to the

1 aggregate amount of the deductions taken in all taxable
2 years under subparagraph (Z) with respect to that
3 property.~~†~~

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

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

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

18 (E) For taxable years ending before December 31,
19 2001, any amount included in such total in respect of
20 any compensation (including but not limited to any
21 compensation paid or accrued to a serviceman while a
22 prisoner of war or missing in action) paid to a
23 resident by reason of being on active duty in the Armed
24 Forces of the United States and in respect of any
25 compensation paid or accrued to a resident who as a
26 governmental employee was a prisoner of war or missing
27 in action, and in respect of any compensation paid to a
28 resident in 1971 or thereafter for annual training
29 performed pursuant to Sections 502 and 503, Title 32,
30 United States Code as a member of the Illinois National
31 Guard. For taxable years ending on or after December
32 31, 2001, any amount included in such total in respect
33 of any compensation (including but not limited to any
34 compensation paid or accrued to a serviceman while a
35 prisoner of war or missing in action) paid to a
36 resident by reason of being a member of any component

1 of the Armed Forces of the United States and in respect
2 of any compensation paid or accrued to a resident who
3 as a governmental employee was a prisoner of war or
4 missing in action, and in respect of any compensation
5 paid to a resident in 2001 or thereafter by reason of
6 being a member of the Illinois National Guard. The
7 provisions of this amendatory Act of the 92nd General
8 Assembly are exempt from the provisions of Section 250;

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

20 (G) The valuation limitation amount;

21 (H) 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 (I) An amount equal to all amounts included in such
25 total pursuant to the provisions of Section 111 of the
26 Internal Revenue Code as a recovery of items previously
27 deducted from adjusted gross income in the computation
28 of taxable income;

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

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

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

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

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

26 (N) An amount equal to all amounts included in such
27 total which are exempt from taxation by this State
28 either by reason of its statutes or Constitution or by
29 reason of the Constitution, treaties or statutes of the
30 United States; provided that, in the case of any
31 statute of this State that exempts income derived from
32 bonds or other obligations from the tax imposed under
33 this Act, the amount exempted shall be the interest net
34 of bond premium amortization;

35 (O) An amount equal to any contribution made to a
36 job training project established pursuant to the Tax

1 Increment Allocation Redevelopment Act;

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

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

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

14 (S) An amount, to the extent included in adjusted
15 gross income, equal to the amount of a contribution
16 made in the taxable year on behalf of the taxpayer to a
17 medical care savings account established under the
18 Medical Care Savings Account Act or the Medical Care
19 Savings Account Act of 2000 to the extent the
20 contribution is accepted by the account administrator
21 as provided in that Act;

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

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

35 (V) Beginning with tax years ending on or after
36 December 31, 1995 and ending with tax years ending on

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

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

31 (X) For taxable year 1999 and thereafter, an amount
32 equal to the amount of any (i) distributions, to the
33 extent includible in gross income for federal income
34 tax purposes, made to the taxpayer because of his or
35 her status as a victim of persecution for racial or
36 religious reasons by Nazi Germany or any other Axis

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

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

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

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

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

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

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

32 The taxpayer is allowed to take the deduction under
33 this subparagraph only once with respect to any one
34 piece of property; and

35 (BB) ~~(Z)~~ Any amount included in adjusted gross
36 income, other than salary, received by a driver in a

1 ridesharing arrangement using a motor vehicle.

2 (b) Corporations.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (E-11) If the taxpayer reports a capital gain or
2 loss on the taxpayer's federal income tax return for
3 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 taxable
8 years under subparagraph (T) with respect to that
9 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 the
14 following amounts:

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

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

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

25 (I) With the exception of any amounts subtracted
26 under subparagraph (J), an amount equal to the sum of
27 all amounts disallowed as deductions by (i) Sections
28 171(a) (2), and 265(a) (2) and amounts disallowed as
29 interest expense by Section 291(a) (3) of the Internal
30 Revenue Code, as now or hereafter amended, and all
31 amounts of expenses allocable to interest and
32 disallowed as deductions by Section 265(a) (1) of the
33 Internal Revenue Code, as now or hereafter amended; and
34 (ii) for taxable years ending on or after August 13,
35 1999, Sections 171(a) (2), 265, 280C, 291(a) (3), and
36 832(b) (5) (B) (i) of the Internal Revenue Code; the

1 provisions of this subparagraph are exempt from the
2 provisions of Section 250;

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

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

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

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

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

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

36 (N) Two times any contribution made during the

1 taxable year to a designated zone organization to the
2 extent that the contribution (i) qualifies as a
3 charitable contribution under subsection (c) of
4 Section 170 of the Internal Revenue Code and (ii) must,
5 by its terms, be used for a project approved by the
6 Department of Commerce and Economic Opportunity
7 ~~Community Affairs~~ under Section 11 of the Illinois
8 Enterprise Zone Act;

9 (O) An amount equal to: (i) 85% for taxable years
10 ending on or before December 31, 1992, or, a percentage
11 equal to the percentage allowable under Section
12 243(a)(1) of the Internal Revenue Code of 1986 for
13 taxable years ending after December 31, 1992, of the
14 amount by which dividends included in taxable income
15 and received from a corporation that is not created or
16 organized under the laws of the United States or any
17 state or political subdivision thereof, including, for
18 taxable years ending on or after December 31, 1988,
19 dividends received or deemed received or paid or deemed
20 paid under Sections 951 through 964 of the Internal
21 Revenue Code, exceed the amount of the modification
22 provided under subparagraph (G) of paragraph (2) of
23 this subsection (b) which is related to such dividends;
24 plus (ii) 100% of the amount by which dividends,
25 included in taxable income and received, including,
26 for taxable years ending on or after December 31, 1988,
27 dividends received or deemed received or paid or deemed
28 paid under Sections 951 through 964 of the Internal
29 Revenue Code, from any such corporation specified in
30 clause (i) that would but for the provisions of Section
31 1504 (b) (3) of the Internal Revenue Code be treated as
32 a member of the affiliated group which includes the
33 dividend recipient, exceed the amount of the
34 modification provided under subparagraph (G) of
35 paragraph (2) of this subsection (b) which is related
36 to such dividends;

1 (P) An amount equal to any contribution made to a
2 job training project established pursuant to the Tax
3 Increment Allocation Redevelopment Act;

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

9 (R) In the case of an attorney-in-fact with respect
10 to whom an interinsurer or a reciprocal insurer has
11 made the election under Section 835 of the Internal
12 Revenue Code, 26 U.S.C. 835, an amount equal to the
13 excess, if any, of the amounts paid or incurred by that
14 interinsurer or reciprocal insurer in the taxable year
15 to the attorney-in-fact over the deduction allowed to
16 that interinsurer or reciprocal insurer with respect
17 to the attorney-in-fact under Section 835(b) of the
18 Internal Revenue Code for the taxable year;

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

29 (T) For taxable years 2001 and thereafter, for the
30 taxable year in which the bonus depreciation deduction
31 (30% of the adjusted basis of the qualified property)
32 is taken on the taxpayer's federal income tax return
33 under subsection (k) of Section 168 of the Internal
34 Revenue Code and for each applicable taxable year
35 thereafter, an amount equal to "x", where:

36 (1) "y" equals the amount of the depreciation

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

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

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

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

24 The taxpayer is allowed to take the deduction under
25 this subparagraph only once with respect to any one
26 piece of property; ~~and~~.

27 (V) An amount equal to all amounts paid to Illinois
28 research institutions during the taxable year for the
29 purpose of fostering research and development in high
30 technology leading to the development of new products
31 and services that can be marketed by Illinois
32 businesses. For the purpose of this deduction, "high
33 technology" means any area of research or development
34 designed to foster greater knowledge or understanding
35 in fields such as computer science, electronics,
36 telecommunications, physics, chemistry, or biology for

1 the purpose of producing, designing, developing, or
2 improving prototypes and new processes. "Illinois
3 research institutions" means Illinois universities,
4 community colleges, research consortiums, and other
5 not for profit entities, including federally funded
6 research laboratories, that conduct research and
7 development activities for the purpose of producing,
8 designing, developing, or improving prototypes and new
9 processes.

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

14 (c) Trusts and estates.

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

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

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

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

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

35 (D) The amount of any net operating loss deduction

1 taken in arriving at taxable income, other than a net
2 operating loss carried forward from a taxable year
3 ending prior to December 31, 1986;

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

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

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

27 For taxable years in which there is a net operating
28 loss carryback or carryforward from more than one other
29 taxable year ending prior to December 31, 1986, the
30 addition modification provided in this subparagraph
31 (E) shall be the sum of the amounts computed
32 independently under the preceding provisions of this
33 subparagraph (E) for each such taxable year;

34 (F) For taxable years ending on or after January 1,
35 1989, an amount equal to the tax deducted pursuant to
36 Section 164 of the Internal Revenue Code if the trust

1 or estate is claiming the same tax for purposes of the
2 Illinois foreign tax credit under Section 601 of this
3 Act;

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

8 (G-5) For taxable years ending after December 31,
9 1997, an amount equal to any eligible remediation costs
10 that the trust or estate deducted in computing adjusted
11 gross income and for which the trust or estate claims a
12 credit under subsection (l) of Section 201;

13 (G-10) For taxable years 2001 and thereafter, an
14 amount equal to the bonus depreciation deduction (30%
15 of the adjusted basis of the qualified property) taken
16 on the taxpayer's federal income tax return for the
17 taxable year under subsection (k) of Section 168 of the
18 Internal Revenue Code; and

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

28 The taxpayer is required to make the addition
29 modification under this subparagraph only once with
30 respect to any one piece of property;

31 and by deducting from the total so obtained the sum of the
32 following amounts:

33 (H) An amount equal to all amounts included in such
34 total pursuant to the provisions of Sections 402(a),
35 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
36 Internal Revenue Code or included in such total as

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

8 (I) The valuation limitation amount;

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

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

23 (L) With the exception of any amounts subtracted
24 under subparagraph (K), an amount equal to the sum of
25 all amounts disallowed as deductions by (i) Sections
26 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
27 as now or hereafter amended, and all amounts of
28 expenses allocable to interest and disallowed as
29 deductions by Section 265(1) of the Internal Revenue
30 Code of 1954, as now or hereafter amended; and (ii) for
31 taxable years ending on or after August 13, 1999,
32 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
33 the Internal Revenue Code; the provisions of this
34 subparagraph are exempt from the provisions of Section
35 250;

36 (M) 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 and conducts substantially all of its operations in an
5 Enterprise Zone or Zones;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (E) The valuation limitation amount;

32 (F) 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;

35 (G) An amount equal to all amounts included in
36 taxable income as modified by subparagraphs (A), (B),

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

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

15 (I) An amount equal to all amounts of income
16 distributable to an entity subject to the Personal
17 Property Tax Replacement Income Tax imposed by
18 subsections (c) and (d) of Section 201 of this Act
19 including amounts distributable to organizations
20 exempt from federal income tax by reason of Section
21 501(a) of the Internal Revenue Code;

22 (J) With the exception of any amounts subtracted
23 under subparagraph (G), an amount equal to the sum of
24 all amounts disallowed as deductions by (i) Sections
25 171(a) (2), and 265(2) of the Internal Revenue Code of
26 1954, as now or hereafter amended, and all amounts of
27 expenses allocable to interest and disallowed as
28 deductions by Section 265(1) of the Internal Revenue
29 Code, as now or hereafter amended; and (ii) for taxable
30 years ending on or after August 13, 1999, Sections
31 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the
32 Internal Revenue Code; the provisions of this
33 subparagraph are exempt from the provisions of Section
34 250;

35 (K) An amount equal to those dividends included in
36 such total which were paid by a corporation which

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

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

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

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

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

30 (1) "y" equals the amount of the depreciation
31 deduction taken for the taxable year on the
32 taxpayer's federal income tax return on property
33 for which the bonus depreciation deduction (30% of
34 the adjusted basis of the qualified property) was
35 taken in any year under subsection (k) of Section
36 168 of the Internal Revenue Code, but not including

1 the bonus depreciation deduction; and

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

4 The aggregate amount deducted under this
5 subparagraph in all taxable years for any one piece of
6 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 the
9 taxpayer's federal income tax return under subsection
10 (k) of Section 168 of the Internal Revenue Code; and

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

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

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

22 (1) In general. Subject to the provisions of paragraph
23 (2) and subsection (b) (3), for purposes of this Section
24 and Section 803(e), a taxpayer's gross income, adjusted
25 gross income, or taxable income for the taxable year shall
26 mean the amount of gross income, adjusted gross income or
27 taxable income properly reportable for federal income tax
28 purposes for the taxable year under the provisions of the
29 Internal Revenue Code. Taxable income may be less than
30 zero. However, for taxable years ending on or after
31 December 31, 1986, net operating loss carryforwards from
32 taxable years ending prior to December 31, 1986, may not
33 exceed the sum of federal taxable income for the taxable
34 year before net operating loss deduction, plus the excess
35 of addition modifications over subtraction modifications

1 for the taxable year. For taxable years ending prior to
2 December 31, 1986, taxable income may never be an amount in
3 excess of the net operating loss for the taxable year as
4 defined in subsections (c) and (d) of Section 172 of the
5 Internal Revenue Code, provided that when taxable income of
6 a corporation (other than a Subchapter S corporation),
7 trust, or estate is less than zero and addition
8 modifications, other than those provided by subparagraph
9 (E) of paragraph (2) of subsection (b) for corporations or
10 subparagraph (E) of paragraph (2) of subsection (c) for
11 trusts and estates, exceed subtraction modifications, an
12 addition modification must be made under those
13 subparagraphs for any other taxable year to which the
14 taxable income less than zero (net operating loss) is
15 applied under Section 172 of the Internal Revenue Code or
16 under subparagraph (E) of paragraph (2) of this subsection
17 (e) applied in conjunction with Section 172 of the Internal
18 Revenue Code.

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

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

29 (B) Certain other insurance companies. In the case
30 of mutual insurance companies subject to the tax
31 imposed by Section 831 of the Internal Revenue Code,
32 insurance company taxable income;

33 (C) Regulated investment companies. In the case of
34 a regulated investment company subject to the tax
35 imposed by Section 852 of the Internal Revenue Code,
36 investment company taxable income;

1 (D) Real estate investment trusts. In the case of a
2 real estate investment trust subject to the tax imposed
3 by Section 857 of the Internal Revenue Code, real
4 estate investment trust taxable income;

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

17 (F) Cooperatives. In the case of a cooperative
18 corporation or association, the taxable income of such
19 organization determined in accordance with the
20 provisions of Section 1381 through 1388 of the Internal
21 Revenue Code;

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

1 Subchapter S rules as in effect on July 1, 1982; and
2 (H) Partnerships. In the case of a partnership,
3 taxable income determined in accordance with Section
4 703 of the Internal Revenue Code, except that taxable
5 income shall take into account those items which are
6 required by Section 703(a)(1) to be separately stated
7 but which would be taken into account by an individual
8 in calculating his taxable income.

9 (f) Valuation limitation amount.

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

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

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

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

27 (A) If the fair market value of property referred
28 to in paragraph (1) was readily ascertainable on August
29 1, 1969, the pre-August 1, 1969 appreciation amount for
30 such property is the lesser of (i) the excess of such
31 fair market value over the taxpayer's basis (for
32 determining gain) for such property on that date
33 (determined under the Internal Revenue Code as in
34 effect on that date), or (ii) the total gain realized
35 and reportable for federal income tax purposes in

1 respect of the sale, exchange or other disposition of
2 such property.

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

14 (C) The Department shall prescribe such
15 regulations as may be necessary to carry out the
16 purposes of this paragraph.

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

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

29 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
30 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
31 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
32 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
33 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
34 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

1 (35 ILCS 5/216 new)

2 Sec. 216. New business technology development credit.

3 (a) For tax years ending after July 1, 2004, an Illinois
4 small business concern as defined in 15 U.S.C. 632, that has
5 been doing business for 4 years or less, and that conducts
6 primarily all of its business operations in Illinois shall be
7 allowed a credit against the tax imposed by subsections (a) and
8 (b) of Section 201 in the amount of 25% of all qualified
9 research expenses for Illinois high technology research and
10 development activities leading to the development of new or
11 improved products and services that can be marketed by Illinois
12 businesses. For partners, shareholders of subchapter S
13 corporations, and owners of limited liability companies, if the
14 liability company is treated as a partnership for purposes of
15 federal and State income taxation, there shall be allowed a
16 credit under this Section to be determined in accordance with
17 the determination of income and distributive share of income
18 under Sections 702 and 704 and subchapter S of the Internal
19 Revenue Code.

20 (b) As used in this Section:

21 "High technology" means any area of research or development
22 designed to foster greater knowledge or understanding in fields
23 such as computer science, electronics, telecommunications,
24 physics, chemistry, or biology for the purpose of producing
25 designing, developing, or improving prototypes and new
26 processes and that leads to the development of new products and
27 services that can be marketed by Illinois businesses.

28 "Qualifying expenditures" means the qualifying
29 expenditures as defined for the federal credit for increasing
30 research activities that would be allowable under Section 41 of
31 the Internal Revenue Code and that are conducted in this State.

32 (c) For each taxable year beginning on or after January 1,
33 2003, if the amount of the credit exceeds the income tax
34 liability for the applicable tax year, then the excess credit
35 shall be refunded to the taxpayer or, at the taxpayer's

1 election, may be used to offset other State tax liabilities
2 subject to rules adopted by the Department.

3 (d) The Department must adopt rules to enforce and
4 administer the provisions of this Section. This Section is
5 exempt from the provisions of Section 250 of this Act. A small
6 business claiming a credit under this Section may not claim a
7 high technology research credit under Section 217 for the same
8 taxable year.

9 (35 ILCS 5/217 new)

10 Sec. 217. High technology research credit.

11 (a) Beginning with tax years ending after July 1, 2004, a
12 taxpayer shall be allowed a credit against the tax imposed by
13 subsections (a) and (b) of Section 201 for qualifying high
14 technology research activities in this State. The credit
15 allowed against the tax imposed by subsections (a) and (b)
16 shall be equal to 2% of all qualifying expenditures for high
17 technology research activities in this State during the taxable
18 year. An additional credit shall be allowed against the tax
19 imposed by subsections (a) and (b) for qualifying expenditures
20 incurred for increasing high technology research activities in
21 this State. For partners and shareholders of subchapter S
22 Corporations, and owners of limited liability companies, if the
23 liability company is treated as a partnership for purposes of
24 federal and State income taxation, there shall be allowed a
25 credit under this Section to be determined in accordance with
26 the determination of income and distributive share of income
27 under Sections 702 and 704 and subchapter S of the Internal
28 Revenue Code.

29 (b) As used in this Section:

30 "Qualifying expenditures for high technology research
31 activities" means the qualifying expenditures as defined for
32 the federal credit for increasing research activities that
33 would be allowable under Section 41 of the Internal Revenue
34 Code and that are conducted in this State.

35 "High technology research activities" means any area of

1 research or development designed to foster greater knowledge or
2 understanding in fields such as computer science, electronics,
3 telecommunications, physics, chemistry, or biology for the
4 purpose of producing, designing, developing, or improving
5 products, prototypes, and processes.

6 "Qualifying expenditures for increasing research
7 activities in this State" means, at the election of the
8 taxpayer, either (1) the excess of qualifying expenditures for
9 the taxable year in which incurred over qualifying expenditures
10 for the base period or (2) as an alternate credit, the
11 qualifying expenditures for the taxable year computed in a
12 manner consistent with the alternative incremental credit
13 described in Section 41(c) (4) of the Internal Revenue Code. For
14 purposes of the incremental credit amount, "base amount",
15 "basic research payment", and "qualified research expense"
16 mean the same as defined for the federal credit for increasing
17 research activities under Section 41 of the Internal Revenue
18 Code, except that such amounts are for activities conducted
19 within the State of Illinois. The taxpayer may use this
20 election regardless of the method used for the taxpayer's
21 federal income tax. An election is for the tax year, and the
22 taxpayer may use another or the same method for a subsequent
23 year. For purposes of the alternate credit computation, the
24 credit percentages applicable to qualified research expenses
25 described in clauses (i), (ii), and (iii) of Section
26 41(c) (4) (A) of the Internal Revenue Code are 1.65%, 2.20%, and
27 2.75%, respectively.

28 "Qualifying expenditures for the base period" means the
29 average of the qualifying expenditures for each year in the
30 base period, and "base period" means the 3 taxable years
31 immediately preceding the taxable year for which the
32 determination is made.

33 (c) Any credit allowed under this Section that is unused in
34 the year the credit is earned may be carried forward to each of
35 the 12 taxable years following the year for which the credit is
36 first computed until it is used. This credit shall be applied

1 first to the earliest year for which there is a liability. If
2 there is a credit under this Section from more than one tax
3 year that is available to offset a liability, the earliest
4 credit arising under this Section shall be applied first. If an
5 unused credit is carried forward to a given year from 2 or more
6 earlier years, that credit arising in the earliest year shall
7 be applied first against the tax liability for the given year.
8 If a tax liability for the given year still remains, the credit
9 from the next earliest year shall then be applied, and so on,
10 until all credits have been used or no tax liability for the
11 given year remains. Any remaining unused credit or credits then
12 shall be carried forward to the next following year in which a
13 tax liability is incurred, except that no credit may be carried
14 forward to a year which is more than 12 years after the year in
15 which the expense for which the credit is given was incurred.

16 (d) The Department must adopt rules to enforce and
17 administer the provisions of this Section. This Section is
18 exempt from the provisions of Section 250 of this Act. A
19 business claiming a high technology research credit under this
20 Section may not also claim a new business technology
21 development credit under Section 216 for the same taxable year.

22 Section 99. Effective date. This Act takes effect upon
23 becoming law.