



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB4972

Introduced 1/19/2006, by Rep. Terry R. Parke

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

35 ILCS 5/216 new

Amends the Illinois Income tax Act. Creates a credit in an amount equal to the qualified costs of a loan issued to cover the on-going business expenses of a vendor or contractor where the State is late, by 90 days or more, in the payment of the vendor's or contractor's proper bill or invoice for goods or services furnished to the State. Requires the taxpayer to make an addition modification to their base income to add back the amount equal to any deduction taken on the taxpayer's federal income tax return for qualified costs of a slow-payment loan for which a credit is received. Effective immediately.

LRB094 17839 BDD 53140 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning revenue.

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 Section 216 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
25 the computation of adjusted gross income for the
26 taxable year;

27 (C) An amount equal to the amount received during
28 the taxable year as a recovery or refund of real
29 property taxes paid with respect to the taxpayer's
30 principal residence under the Revenue Act of 1939 and
31 for which a deduction was previously taken under
32 subparagraph (L) of this paragraph (2) prior to July 1,

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

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 adjusted gross income;

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13 withdrawn by the taxpayer in the taxable year from a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

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

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

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

1 years under subparagraph (Z) with respect to that
2 property.

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

6 (D-17) For taxable years ending on or after
7 December 31, 2004, an amount equal to the amount
8 otherwise allowed as a deduction in computing base
9 income for interest paid, accrued, or incurred,
10 directly or indirectly, to a foreign person who would
11 be a member of the same unitary business group but for
12 the fact that foreign person's business activity
13 outside the United States is 80% or more of the foreign
14 person's total business activity. The addition
15 modification required by this subparagraph shall be
16 reduced to the extent that dividends were included in
17 base income of the unitary group for the same taxable
18 year and received by the taxpayer or by a member of the
19 taxpayer's unitary business group (including amounts
20 included in gross income under Sections 951 through 964
21 of the Internal Revenue Code and amounts included in
22 gross income under Section 78 of the Internal Revenue
23 Code) with respect to the stock of the same person to
24 whom the interest was paid, accrued, or incurred.

25 This paragraph shall not apply to the following:

26 (i) an item of interest paid, accrued, or
27 incurred, directly or indirectly, to a foreign
28 person who is subject in a foreign country or
29 state, other than a state which requires mandatory
30 unitary reporting, to a tax on or measured by net
31 income with respect to such interest; or

32 (ii) an item of interest paid, accrued, or
33 incurred, directly or indirectly, to a foreign
34 person if the taxpayer can establish, based on a
35 preponderance of the evidence, both of the
36 following:

1 (a) the foreign person, during the same
2 taxable year, paid, accrued, or incurred, the
3 interest to a person that is not a related
4 member, and

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

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

18 (iv) an item of interest paid, accrued, or
19 incurred, directly or indirectly, to a foreign
20 person if the taxpayer establishes by clear and
21 convincing evidence that the adjustments are
22 unreasonable; or if the taxpayer and the Director
23 agree in writing to the application or use of an
24 alternative method of apportionment under Section
25 304(f).

26 Nothing in this subsection shall preclude the
27 Director from making any other adjustment
28 otherwise allowed under Section 404 of this Act for
29 any tax year beginning after the effective date of
30 this amendment provided such adjustment is made
31 pursuant to regulation adopted by the Department
32 and such regulations provide methods and standards
33 by which the Department will utilize its authority
34 under Section 404 of this Act;

35 (D-18) For taxable years ending on or after
36 December 31, 2004, an amount equal to the amount of

1 intangible expenses and costs otherwise allowed as a
2 deduction in computing base income, and that were paid,
3 accrued, or incurred, directly or indirectly, to a
4 foreign person who would be a member of the same
5 unitary business group but for the fact that the
6 foreign person's business activity outside the United
7 States is 80% or more of that person's total business
8 activity. The addition modification required by this
9 subparagraph shall be reduced to the extent that
10 dividends were included in base income of the unitary
11 group for the same taxable year and received by the
12 taxpayer or by a member of the taxpayer's unitary
13 business group (including amounts included in gross
14 income under Sections 951 through 964 of the Internal
15 Revenue Code and amounts included in gross income under
16 Section 78 of the Internal Revenue Code) with respect
17 to the stock of the same person to whom the intangible
18 expenses and costs were directly or indirectly paid,
19 incurred, or accrued. The preceding sentence does not
20 apply to the extent that the same dividends caused a
21 reduction to the addition modification required under
22 Section 203(a)(2)(D-17) of this Act. As used in this
23 subparagraph, the term "intangible expenses and costs"
24 includes (1) expenses, losses, and costs for, or
25 related to, the direct or indirect acquisition, use,
26 maintenance or management, ownership, sale, exchange,
27 or any other disposition of intangible property; (2)
28 losses incurred, directly or indirectly, from
29 factoring transactions or discounting transactions;
30 (3) royalty, patent, technical, and copyright fees;
31 (4) licensing fees; and (5) other similar expenses and
32 costs. For purposes of this subparagraph, "intangible
33 property" includes patents, patent applications, trade
34 names, trademarks, service marks, copyrights, mask
35 works, trade secrets, and similar types of intangible
36 assets.

1 This paragraph shall not apply to the following:

2 (i) any item of intangible expenses or costs
3 paid, accrued, or incurred, directly or
4 indirectly, from a transaction with a foreign
5 person who is subject in a foreign country or
6 state, other than a state which requires mandatory
7 unitary reporting, to a tax on or measured by net
8 income with respect to such item; or

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

14 (a) the foreign person during the same
15 taxable year paid, accrued, or incurred, the
16 intangible expense or cost to a person that is
17 not a related member, and

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

25 (iii) any item of intangible expense or cost
26 paid, accrued, or incurred, directly or
27 indirectly, from a transaction with a foreign
28 person if the taxpayer establishes by clear and
29 convincing evidence, that the adjustments are
30 unreasonable; or if the taxpayer and the Director
31 agree in writing to the application or use of an
32 alternative method of apportionment under Section
33 304(f);

34 Nothing in this subsection shall preclude the
35 Director from making any other adjustment
36 otherwise allowed under Section 404 of this Act for

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

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

16 (D-21) For taxable years ending on or after
17 December 31, 2006, an amount equal to any deduction
18 taken on the taxpayer's federal income tax return for
19 qualified costs of a slow-payment loan for which a
20 credit is received under Section 216;

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

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

1 31, 2001, any amount included in such total in respect
2 of any compensation (including but not limited to any
3 compensation paid or accrued to a serviceman while a
4 prisoner of war or missing in action) paid to a
5 resident by reason of being a member of any component
6 of the Armed Forces of the United States and in respect
7 of any compensation paid or accrued to a resident who
8 as a governmental employee was a prisoner of war or
9 missing in action, and in respect of any compensation
10 paid to a resident in 2001 or thereafter by reason of
11 being a member of the Illinois National Guard. The
12 provisions of this amendatory Act of the 92nd General
13 Assembly are exempt from the provisions of Section 250;

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

25 (G) The valuation limitation amount;

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

29 (I) An amount equal to all amounts included in such
30 total pursuant to the provisions of Section 111 of the
31 Internal Revenue Code as a recovery of items previously
32 deducted from adjusted gross income in the computation
33 of taxable income;

34 (J) An amount equal to those dividends included in
35 such total which were paid by a corporation which
36 conducts business operations in an Enterprise Zone or

1 zones created under the Illinois Enterprise Zone Act,
2 and conducts substantially all of its operations in an
3 Enterprise Zone or zones;

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

13 (L) For taxable years ending after December 31,
14 1983, an amount equal to all social security benefits
15 and railroad retirement benefits included in such
16 total pursuant to Sections 72(r) and 86 of the Internal
17 Revenue Code;

18 (M) With the exception of any amounts subtracted
19 under subparagraph (N), an amount equal to the sum of
20 all amounts disallowed as deductions by (i) Sections
21 171(a) (2), and 265(2) of the Internal Revenue Code of
22 1954, as now or hereafter amended, and all amounts of
23 expenses allocable to interest and disallowed as
24 deductions by Section 265(1) of the Internal Revenue
25 Code of 1954, as now or hereafter amended; and (ii) for
26 taxable years ending on or after August 13, 1999,
27 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
28 the Internal Revenue Code; the provisions of this
29 subparagraph are exempt from the provisions of Section
30 250;

31 (N) An amount equal to all amounts included in such
32 total which are exempt from taxation by this State
33 either by reason of its statutes or Constitution or by
34 reason of the Constitution, treaties or statutes of the
35 United States; provided that, in the case of any
36 statute of this State that exempts income derived from

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

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

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

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

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

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

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

34 (U) For one taxable year beginning on or after
35 January 1, 1994, an amount equal to the total amount of
36 tax imposed and paid under subsections (a) and (b) of

1 Section 201 of this Act on grant amounts received by
2 the taxpayer under the Nursing Home Grant Assistance
3 Act during the taxpayer's taxable years 1992 and 1993;

4 (V) Beginning with tax years ending on or after
5 December 31, 1995 and ending with tax years ending on
6 or before December 31, 2004, an amount equal to the
7 amount paid by a taxpayer who is a self-employed
8 taxpayer, a partner of a partnership, or a shareholder
9 in a Subchapter S corporation for health insurance or
10 long-term care insurance for that taxpayer or that
11 taxpayer's spouse or dependents, to the extent that the
12 amount paid for that health insurance or long-term care
13 insurance may be deducted under Section 213 of the
14 Internal Revenue Code of 1986, has not been deducted on
15 the federal income tax return of the taxpayer, and does
16 not exceed the taxable income attributable to that
17 taxpayer's income, self-employment income, or
18 Subchapter S corporation income; except that no
19 deduction shall be allowed under this item (V) if the
20 taxpayer is eligible to participate in any health
21 insurance or long-term care insurance plan of an
22 employer of the taxpayer or the taxpayer's spouse. The
23 amount of the health insurance and long-term care
24 insurance subtracted under this item (V) shall be
25 determined by multiplying total health insurance and
26 long-term care insurance premiums paid by the taxpayer
27 times a number that represents the fractional
28 percentage of eligible medical expenses under Section
29 213 of the Internal Revenue Code of 1986 not actually
30 deducted on the taxpayer's federal income tax return;

31 (W) For taxable years beginning on or after January
32 1, 1998, all amounts included in the taxpayer's federal
33 gross income in the taxable year from amounts converted
34 from a regular IRA to a Roth IRA. This paragraph is
35 exempt from the provisions of Section 250;

36 (X) For taxable year 1999 and thereafter, an amount

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

33 (Y) For taxable years beginning on or after January
34 1, 2002 and ending on or before December 31, 2004,
35 moneys contributed in the taxable year to a College
36 Savings Pool account under Section 16.5 of the State

1 Treasurer Act, except that amounts excluded from gross
2 income under Section 529(c)(3)(C)(i) of the Internal
3 Revenue Code shall not be considered moneys
4 contributed under this subparagraph (Y). For taxable
5 years beginning on or after January 1, 2005, a maximum
6 of \$10,000 contributed in the taxable year to (i) a
7 College Savings Pool account under Section 16.5 of the
8 State Treasurer Act or (ii) the Illinois Prepaid
9 Tuition Trust Fund, except that amounts excluded from
10 gross income under Section 529(c)(3)(C)(i) of the
11 Internal Revenue Code shall not be considered moneys
12 contributed under this subparagraph (Y). This
13 subparagraph (Y) is exempt from the provisions of
14 Section 250;

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

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

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

32 The aggregate amount deducted under this
33 subparagraph in all taxable years for any one piece of
34 property may not exceed the amount of the bonus
35 depreciation deduction (30% of the adjusted basis of
36 the qualified property) taken on that property on the

1 taxpayer's federal income tax return under subsection
2 (k) of Section 168 of the Internal Revenue Code;

3 (AA) If the taxpayer reports a capital gain or loss
4 on the taxpayer's federal income tax return for the
5 taxable year based on a sale or transfer of property
6 for which the taxpayer was required in any taxable year
7 to make an addition modification under subparagraph
8 (D-15), then an amount equal to that addition
9 modification.

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

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

16 (CC) The amount of (i) any interest income (net of
17 the deductions allocable thereto) taken into account
18 for the taxable year with respect to a transaction with
19 a taxpayer that is required to make an addition
20 modification with respect to such transaction under
21 Section 203(a)(2)(D-17), 203(b)(2)(E-13),
22 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
23 the amount of that addition modification, and (ii) any
24 income from intangible property (net of the deductions
25 allocable thereto) taken into account for the taxable
26 year with respect to a transaction with a taxpayer that
27 is required to make an addition modification with
28 respect to such transaction under Section
29 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or
30 203(d)(2)(D-8), but not to exceed the amount of that
31 addition modification;

32 (DD) An amount equal to the interest income taken
33 into account for the taxable year (net of the
34 deductions allocable thereto) with respect to
35 transactions with a foreign person who would be a
36 member of the taxpayer's unitary business group but for

1 the fact that the foreign person's business activity
2 outside the United States is 80% or more of that
3 person's total business activity, but not to exceed the
4 addition modification required to be made for the same
5 taxable year under Section 203(a)(2)(D-17) for
6 interest paid, accrued, or incurred, directly or
7 indirectly, to the same foreign person; and

8 (EE) An amount equal to the income from intangible
9 property taken into account for the taxable year (net
10 of the deductions allocable thereto) with respect to
11 transactions with a foreign person who would be a
12 member of the taxpayer's unitary business group but for
13 the fact that the foreign person's business activity
14 outside the United States is 80% or more of that
15 person's total business activity, but not to exceed the
16 addition modification required to be made for the same
17 taxable year under Section 203(a)(2)(D-18) for
18 intangible expenses and costs paid, accrued, or
19 incurred, directly or indirectly, to the same foreign
20 person.

21 (b) Corporations.

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

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

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

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

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

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

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

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

33 (ii) the addition modification relating to the
34 net operating loss carried back or forward to the
35 taxable year from any taxable year ending prior to
36 December 31, 1986 shall not exceed the amount of

1 such carryback or carryforward;

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

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

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

20 (E-11) If the taxpayer reports a capital gain or
21 loss on the taxpayer's federal income tax return for
22 the taxable year based on a sale or transfer of
23 property for which the taxpayer was required in any
24 taxable year to make an addition modification under
25 subparagraph (E-10), then an amount equal to the
26 aggregate amount of the deductions taken in all taxable
27 years under subparagraph (T) with respect to that
28 property.

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

32 (E-12) For taxable years ending on or after
33 December 31, 2004, an amount equal to the amount
34 otherwise allowed as a deduction in computing base
35 income for interest paid, accrued, or incurred,
36 directly or indirectly, to a foreign person who would

1 be a member of the same unitary business group but for
2 the fact the foreign person's business activity
3 outside the United States is 80% or more of the foreign
4 person's total business activity. The addition
5 modification required by this subparagraph shall be
6 reduced to the extent that dividends were included in
7 base income of the unitary group for the same taxable
8 year and received by the taxpayer or by a member of the
9 taxpayer's unitary business group (including amounts
10 included in gross income pursuant to Sections 951
11 through 964 of the Internal Revenue Code and amounts
12 included in gross income under Section 78 of the
13 Internal Revenue Code) with respect to the stock of the
14 same person to whom the interest was paid, accrued, or
15 incurred.

16 This paragraph shall not apply to the following:

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

23 (ii) an item of interest paid, accrued, or
24 incurred, directly or indirectly, to a foreign
25 person if the taxpayer can establish, based on a
26 preponderance of the evidence, both of the
27 following:

28 (a) the foreign person, during the same
29 taxable year, paid, accrued, or incurred, the
30 interest to a person that is not a related
31 member, and

32 (b) the transaction giving rise to the
33 interest expense between the taxpayer and the
34 foreign person did not have as a principal
35 purpose the avoidance of Illinois income tax,
36 and is paid pursuant to a contract or agreement

1 that reflects an arm's-length interest rate
2 and terms; or

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

9 (iv) an item of interest paid, accrued, or
10 incurred, directly or indirectly, to a foreign
11 person if the taxpayer establishes by clear and
12 convincing evidence that the adjustments are
13 unreasonable; or if the taxpayer and the Director
14 agree in writing to the application or use of an
15 alternative method of apportionment under Section
16 304(f).

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

26 (E-13) For taxable years ending on or after
27 December 31, 2004, an amount equal to the amount of
28 intangible expenses and costs otherwise allowed as a
29 deduction in computing base income, and that were paid,
30 accrued, or incurred, directly or indirectly, to a
31 foreign person who would be a member of the same
32 unitary business group but for the fact that the
33 foreign person's business activity outside the United
34 States is 80% or more of that person's total business
35 activity. The addition modification required by this
36 subparagraph shall be reduced to the extent that

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

28 This paragraph shall not apply to the following:

29 (i) any item of intangible expenses or costs
30 paid, accrued, or incurred, directly or
31 indirectly, from a transaction with a foreign
32 person who is subject in a foreign country or
33 state, other than a state which requires mandatory
34 unitary reporting, to a tax on or measured by net
35 income with respect to such item; or

36 (ii) any item of intangible expense or cost

1 paid, accrued, or incurred, directly or
2 indirectly, if the taxpayer can establish, based
3 on a preponderance of the evidence, both of the
4 following:

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

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

16 (iii) any item of intangible expense or cost
17 paid, accrued, or incurred, directly or
18 indirectly, from a transaction with a foreign
19 person if the taxpayer establishes by clear and
20 convincing evidence, that the adjustments are
21 unreasonable; or if the taxpayer and the Director
22 agree in writing to the application or use of an
23 alternative method of apportionment under Section
24 304(f);

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment
27 otherwise allowed under Section 404 of this Act for
28 any tax year beginning after the effective date of
29 this amendment provided such adjustment is made
30 pursuant to regulation adopted by the Department
31 and such regulations provide methods and standards
32 by which the Department will utilize its authority
33 under Section 404 of this Act;

34 (E-14) For taxable years ending on or after
35 December 31, 2006, an amount equal to any deduction
36 taken on the taxpayer's federal income tax return for

1 qualified costs of a slow-payment loan for which a
2 credit is received under Section 216;

3 and by deducting from the total so obtained the sum of the
4 following amounts:

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

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

10 (H) In the case of a regulated investment company,
11 an amount equal to the amount of exempt interest
12 dividends as defined in subsection (b) (5) of Section
13 852 of the Internal Revenue Code, paid to shareholders
14 for the taxable year;

15 (I) With the exception of any amounts subtracted
16 under subparagraph (J), an amount equal to the sum of
17 all amounts disallowed as deductions by (i) Sections
18 171(a) (2), and 265(a) (2) and amounts disallowed as
19 interest expense by Section 291(a) (3) of the Internal
20 Revenue Code, as now or hereafter amended, and all
21 amounts of expenses allocable to interest and
22 disallowed as deductions by Section 265(a) (1) of the
23 Internal Revenue Code, as now or hereafter amended; and
24 (ii) for taxable years ending on or after August 13,
25 1999, Sections 171(a) (2), 265, 280C, 291(a) (3), and
26 832(b) (5) (B) (i) of the Internal Revenue Code; the
27 provisions of this subparagraph are exempt from the
28 provisions of Section 250;

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

1 of bond premium amortization;

2 (K) An amount equal to those dividends included in
3 such total which were paid by a corporation which
4 conducts business operations in an Enterprise Zone or
5 zones created under the Illinois Enterprise Zone Act
6 and conducts substantially all of its operations in an
7 Enterprise Zone or zones;

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

17 (M) For any taxpayer that is a financial
18 organization within the meaning of Section 304(c) of
19 this Act, an amount included in such total as interest
20 income from a loan or loans made by such taxpayer to a
21 borrower, to the extent that such a loan is secured by
22 property which is eligible for the Enterprise Zone
23 Investment Credit. To determine the portion of a loan
24 or loans that is secured by property eligible for a
25 Section 201(f) investment credit to the borrower, the
26 entire principal amount of the loan or loans between
27 the taxpayer and the borrower should be divided into
28 the basis of the Section 201(f) investment credit
29 property which secures the loan or loans, using for
30 this purpose the original basis of such property on the
31 date that it was placed in service in the Enterprise
32 Zone. The subtraction modification available to
33 taxpayer in any year under this subsection shall be
34 that portion of the total interest paid by the borrower
35 with respect to such loan attributable to the eligible
36 property as calculated under the previous sentence;

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

26 (N) Two times any contribution made during the
27 taxable year to a designated zone organization to the
28 extent that the contribution (i) qualifies as a
29 charitable contribution under subsection (c) of
30 Section 170 of the Internal Revenue Code and (ii) must,
31 by its terms, be used for a project approved by the
32 Department of Commerce and Economic Opportunity under
33 Section 11 of the Illinois Enterprise Zone Act;

34 (O) An amount equal to: (i) 85% for taxable years
35 ending on or before December 31, 1992, or, a percentage
36 equal to the percentage allowable under Section

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

26 (P) An amount equal to any contribution made to a
27 job training project established pursuant to the Tax
28 Increment Allocation Redevelopment Act;

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

34 (R) In the case of an attorney-in-fact with respect
35 to whom an interinsurer or a reciprocal insurer has
36 made the election under Section 835 of the Internal

1 Revenue Code, 26 U.S.C. 835, an amount equal to the
2 excess, if any, of the amounts paid or incurred by that
3 interinsurer or reciprocal insurer in the taxable year
4 to the attorney-in-fact over the deduction allowed to
5 that interinsurer or reciprocal insurer with respect
6 to the attorney-in-fact under Section 835(b) of the
7 Internal Revenue Code for the taxable year;

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

18 (T) For taxable years 2001 and thereafter, for the
19 taxable year in which the bonus depreciation deduction
20 (30% of the adjusted basis of the qualified property)
21 is taken on the taxpayer's federal income tax return
22 under subsection (k) of Section 168 of the Internal
23 Revenue Code and for each applicable taxable year
24 thereafter, an amount equal to "x", where:

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

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

35 The aggregate amount deducted under this
36 subparagraph in all taxable years for any one piece of

1 property may not exceed the amount of the bonus
2 depreciation deduction (30% of the adjusted basis of
3 the qualified property) taken on that property on the
4 taxpayer's federal income tax return under subsection
5 (k) of Section 168 of the Internal Revenue Code;

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

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

16 (V) The amount of: (i) any interest income (net of
17 the deductions allocable thereto) taken into account
18 for the taxable year with respect to a transaction with
19 a taxpayer that is required to make an addition
20 modification with respect to such transaction under
21 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
22 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
23 the amount of such addition modification and (ii) any
24 income from intangible property (net of the deductions
25 allocable thereto) taken into account for the taxable
26 year with respect to a transaction with a taxpayer that
27 is required to make an addition modification with
28 respect to such transaction under Section
29 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
30 203(d)(2)(D-8), but not to exceed the amount of such
31 addition modification;

32 (W) An amount equal to the interest income taken
33 into account for the taxable year (net of the
34 deductions allocable thereto) with respect to
35 transactions with a foreign person who would be a
36 member of the taxpayer's unitary business group but for

1 the fact that the foreign person's business activity
2 outside the United States is 80% or more of that
3 person's total business activity, but not to exceed the
4 addition modification required to be made for the same
5 taxable year under Section 203(b)(2)(E-12) for
6 interest paid, accrued, or incurred, directly or
7 indirectly, to the same foreign person; and

8 (X) An amount equal to the income from intangible
9 property taken into account for the taxable year (net
10 of the deductions allocable thereto) with respect to
11 transactions with a foreign person who would be a
12 member of the taxpayer's unitary business group but for
13 the fact that the foreign person's business activity
14 outside the United States is 80% or more of that
15 person's total business activity, but not to exceed the
16 addition modification required to be made for the same
17 taxable year under Section 203(b)(2)(E-13) for
18 intangible expenses and costs paid, accrued, or
19 incurred, directly or indirectly, to the same foreign
20 person.

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

25 (c) Trusts and estates.

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

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

33 (A) An amount equal to all amounts paid or accrued
34 to the taxpayer as interest or dividends during the
35 taxable year to the extent excluded from gross income

1 in the computation of taxable income;

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

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

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

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

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

33 (ii) the addition modification relating to the
34 net operating loss carried back or forward to the
35 taxable year from any taxable year ending prior to
36 December 31, 1986 shall not exceed the amount of

1 such carryback or carryforward;

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

9 (F) For taxable years ending on or after January 1,
10 1989, an amount equal to the tax deducted pursuant to
11 Section 164 of the Internal Revenue Code if the trust
12 or estate is claiming the same tax for purposes of the
13 Illinois foreign tax credit under Section 601 of this
14 Act;

15 (G) 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 taxable income;

19 (G-5) For taxable years ending after December 31,
20 1997, an amount equal to any eligible remediation costs
21 that the trust or estate deducted in computing adjusted
22 gross income and for which the trust or estate claims a
23 credit under subsection (l) of Section 201;

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

30 (G-11) If the taxpayer reports a capital gain or
31 loss on the taxpayer's federal income tax return for
32 the taxable year based on a sale or transfer of
33 property for which the taxpayer was required in any
34 taxable year to make an addition modification under
35 subparagraph (G-10), then an amount equal to the
36 aggregate amount of the deductions taken in all taxable

1 years under subparagraph (R) with respect to that
2 property.

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

6 (G-12) For taxable years ending on or after
7 December 31, 2004, an amount equal to the amount
8 otherwise allowed as a deduction in computing base
9 income for interest paid, accrued, or incurred,
10 directly or indirectly, to a foreign person who would
11 be a member of the same unitary business group but for
12 the fact that the foreign person's business activity
13 outside the United States is 80% or more of the foreign
14 person's total business activity. The addition
15 modification required by this subparagraph shall be
16 reduced to the extent that dividends were included in
17 base income of the unitary group for the same taxable
18 year and received by the taxpayer or by a member of the
19 taxpayer's unitary business group (including amounts
20 included in gross income pursuant to Sections 951
21 through 964 of the Internal Revenue Code and amounts
22 included in gross income under Section 78 of the
23 Internal Revenue Code) with respect to the stock of the
24 same person to whom the interest was paid, accrued, or
25 incurred.

26 This paragraph shall not apply to the following:

27 (i) an item of interest paid, accrued, or
28 incurred, directly or indirectly, to a foreign
29 person who is subject in a foreign country or
30 state, other than a state which requires mandatory
31 unitary reporting, to a tax on or measured by net
32 income with respect to such interest; or

33 (ii) an item of interest paid, accrued, or
34 incurred, directly or indirectly, to a foreign
35 person if the taxpayer can establish, based on a
36 preponderance of the evidence, both of the

1 following:

2 (a) the foreign person, during the same
3 taxable year, paid, accrued, or incurred, the
4 interest to a person that is not a related
5 member, and

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

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

19 (iv) an item of interest paid, accrued, or
20 incurred, directly or indirectly, to a foreign
21 person if the taxpayer establishes by clear and
22 convincing evidence that the adjustments are
23 unreasonable; or if the taxpayer and the Director
24 agree in writing to the application or use of an
25 alternative method of apportionment under Section
26 304(f).

27 Nothing in this subsection shall preclude the
28 Director from making any other adjustment
29 otherwise allowed under Section 404 of this Act for
30 any tax year beginning after the effective date of
31 this amendment provided such adjustment is made
32 pursuant to regulation adopted by the Department
33 and such regulations provide methods and standards
34 by which the Department will utilize its authority
35 under Section 404 of this Act;

36 (G-13) For taxable years ending on or after

1 December 31, 2004, an amount equal to the amount of
2 intangible expenses and costs otherwise allowed as a
3 deduction in computing base income, and that were paid,
4 accrued, or incurred, directly or indirectly, to a
5 foreign person who would be a member of the same
6 unitary business group but for the fact that the
7 foreign person's business activity outside the United
8 States is 80% or more of that person's total business
9 activity. The addition modification required by this
10 subparagraph shall be reduced to the extent that
11 dividends were included in base income of the unitary
12 group for the same taxable year and received by the
13 taxpayer or by a member of the taxpayer's unitary
14 business group (including amounts included in gross
15 income pursuant to Sections 951 through 964 of the
16 Internal Revenue Code and amounts included in gross
17 income under Section 78 of the Internal Revenue Code)
18 with respect to the stock of the same person to whom
19 the intangible expenses and costs were directly or
20 indirectly paid, incurred, or accrued. The preceding
21 sentence shall not apply to the extent that the same
22 dividends caused a reduction to the addition
23 modification required under Section 203(c)(2)(G-12) of
24 this Act. As used in this subparagraph, the term
25 "intangible expenses and costs" includes: (1)
26 expenses, losses, and costs for or related to the
27 direct or indirect acquisition, use, maintenance or
28 management, ownership, sale, exchange, or any other
29 disposition of intangible property; (2) losses
30 incurred, directly or indirectly, from factoring
31 transactions or discounting transactions; (3) royalty,
32 patent, technical, and copyright fees; (4) licensing
33 fees; and (5) other similar expenses and costs. For
34 purposes of this subparagraph, "intangible property"
35 includes patents, patent applications, trade names,
36 trademarks, service marks, copyrights, mask works,

1 trade secrets, and similar types of intangible assets.

2 This paragraph shall not apply to the following:

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

10 (ii) any item of intangible expense or cost
11 paid, accrued, or incurred, directly or
12 indirectly, if the taxpayer can establish, based
13 on a preponderance of the evidence, both of the
14 following:

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

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

26 (iii) any item of intangible expense or cost
27 paid, accrued, or incurred, directly or
28 indirectly, from a transaction with a foreign
29 person if the taxpayer establishes by clear and
30 convincing evidence, that the adjustments are
31 unreasonable; or if the taxpayer and the Director
32 agree in writing to the application or use of an
33 alternative method of apportionment under Section
34 304(f);

35 Nothing in this subsection shall preclude the
36 Director from making any other adjustment

1 otherwise allowed under Section 404 of this Act for
2 any tax year beginning after the effective date of
3 this amendment provided such adjustment is made
4 pursuant to regulation adopted by the Department
5 and such regulations provide methods and standards
6 by which the Department will utilize its authority
7 under Section 404 of this Act;

8 (G-14) For taxable years ending on or after
9 December 31, 2006, an amount equal to any deduction
10 taken on the taxpayer's federal income tax return for
11 qualified costs of a slow-payment loan for which a
12 credit is received under Section 216;

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

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

26 (I) The valuation limitation amount;

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

30 (K) An amount equal to all amounts included in
31 taxable income as modified by subparagraphs (A), (B),
32 (C), (D), (E), (F) and (G) which are exempt from
33 taxation by this State either by reason of its statutes
34 or Constitution or by reason of the Constitution,
35 treaties or statutes of the United States; provided
36 that, in the case of any statute of this State that

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

5 (L) With the exception of any amounts subtracted
6 under subparagraph (K), an amount equal to the sum of
7 all amounts disallowed as deductions by (i) Sections
8 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
9 as now or hereafter amended, and all amounts of
10 expenses allocable to interest and disallowed as
11 deductions by Section 265(1) of the Internal Revenue
12 Code of 1954, as now or hereafter amended; and (ii) for
13 taxable years ending on or after August 13, 1999,
14 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
15 the Internal Revenue Code; the provisions of this
16 subparagraph are exempt from the provisions of Section
17 250;

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

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

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

36 (P) An amount equal to the amount of the deduction

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

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

1 of Section 250;

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

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

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

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

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

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

36 (T) The amount of (i) any interest income (net of

1 the deductions allocable thereto) taken into account
2 for the taxable year with respect to a transaction with
3 a taxpayer that is required to make an addition
4 modification with respect to such transaction under
5 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
6 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
7 the amount of such addition modification and (ii) any
8 income from intangible property (net of the deductions
9 allocable thereto) taken into account for the taxable
10 year with respect to a transaction with a taxpayer that
11 is required to make an addition modification with
12 respect to such transaction under Section
13 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
14 203(d)(2)(D-8), but not to exceed the amount of such
15 addition modification;

16 (U) An amount equal to the interest income taken
17 into account for the taxable year (net of the
18 deductions allocable thereto) with respect to
19 transactions with a foreign person who would be a
20 member of the taxpayer's unitary business group but for
21 the fact the foreign person's business activity
22 outside the United States is 80% or more of that
23 person's total business activity, but not to exceed the
24 addition modification required to be made for the same
25 taxable year under Section 203(c)(2)(G-12) for
26 interest paid, accrued, or incurred, directly or
27 indirectly, to the same foreign person; and

28 (V) An amount equal to the income from intangible
29 property taken into account for the taxable year (net
30 of the deductions allocable thereto) with respect to
31 transactions with a foreign person who would be a
32 member of the taxpayer's unitary business group but for
33 the fact that the foreign person's business activity
34 outside the United States is 80% or more of that
35 person's total business activity, but not to exceed the
36 addition modification required to be made for the same

1 taxable year under Section 203(c)(2)(G-13) for
2 intangible expenses and costs paid, accrued, or
3 incurred, directly or indirectly, to the same foreign
4 person.

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
34 amount equal to the bonus depreciation deduction (30%
35 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;

4 (D-6) 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-5), then an amount equal to the
10 aggregate amount of the deductions taken in all taxable
11 years under subparagraph (O) 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;

16 (D-7) For taxable years ending on or after December
17 31, 2004, an amount equal to the amount otherwise
18 allowed as a deduction in computing base income for
19 interest paid, accrued, or incurred, directly or
20 indirectly, to a foreign person who would be a member
21 of the same unitary business group but for the fact the
22 foreign person's business activity outside the United
23 States is 80% or more of the foreign person's total
24 business activity. The addition modification required
25 by this subparagraph shall be reduced to the extent
26 that dividends were included in base income of the
27 unitary group for the same taxable year and received by
28 the taxpayer or by a member of the taxpayer's unitary
29 business group (including amounts included in gross
30 income pursuant to Sections 951 through 964 of the
31 Internal Revenue Code and amounts included in gross
32 income under Section 78 of the Internal Revenue Code)
33 with respect to the stock of the same person to whom
34 the interest was paid, accrued, or incurred.

35 This paragraph shall not apply to the following:

36 (i) an item of interest paid, accrued, or

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

6 (ii) an item of interest paid, accrued, or
7 incurred, directly or indirectly, to a foreign
8 person if the taxpayer can establish, based on a
9 preponderance of the evidence, both of the
10 following:

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

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

22 (iii) the taxpayer can establish, based on
23 clear and convincing evidence, that the interest
24 paid, accrued, or incurred relates to a contract or
25 agreement entered into at arm's-length rates and
26 terms and the principal purpose for the payment is
27 not federal or Illinois tax avoidance; or

28 (iv) an item of interest paid, accrued, or
29 incurred, directly or indirectly, to a foreign
30 person if the taxpayer establishes by clear and
31 convincing evidence that the adjustments are
32 unreasonable; or if the taxpayer and the Director
33 agree in writing to the application or use of an
34 alternative method of apportionment under Section
35 304(f).

36 Nothing in this subsection shall preclude the

1 Director from making any other adjustment
2 otherwise allowed under Section 404 of this Act for
3 any tax year beginning after the effective date of
4 this amendment provided such adjustment is made
5 pursuant to regulation adopted by the Department
6 and such regulations provide methods and standards
7 by which the Department will utilize its authority
8 under Section 404 of this Act; and

9 (D-8) For taxable years ending on or after December
10 31, 2004, an amount equal to the amount of intangible
11 expenses and costs otherwise allowed as a deduction in
12 computing base income, and that were paid, accrued, or
13 incurred, directly or indirectly, to a foreign person
14 who would be a member of the same unitary business
15 group but for the fact that the foreign person's
16 business activity outside the United States is 80% or
17 more of that person's total business activity. The
18 addition modification required by this subparagraph
19 shall be reduced to the extent that dividends were
20 included in base income of the unitary group for the
21 same taxable year and received by the taxpayer or by a
22 member of the taxpayer's unitary business group
23 (including amounts included in gross income pursuant
24 to Sections 951 through 964 of the Internal Revenue
25 Code and amounts included in gross income under Section
26 78 of the Internal Revenue Code) with respect to the
27 stock of the same person to whom the intangible
28 expenses and costs were directly or indirectly paid,
29 incurred or accrued. The preceding sentence shall not
30 apply to the extent that the same dividends caused a
31 reduction to the addition modification required under
32 Section 203(d)(2)(D-7) of this Act. As used in this
33 subparagraph, the term "intangible expenses and costs"
34 includes (1) expenses, losses, and costs for, or
35 related to, the direct or indirect acquisition, use,
36 maintenance or management, ownership, sale, exchange,

1 or any other disposition of intangible property; (2)
2 losses incurred, directly or indirectly, from
3 factoring transactions or discounting transactions;
4 (3) royalty, patent, technical, and copyright fees;
5 (4) licensing fees; and (5) other similar expenses and
6 costs. For purposes of this subparagraph, "intangible
7 property" includes patents, patent applications, trade
8 names, trademarks, service marks, copyrights, mask
9 works, trade secrets, and similar types of intangible
10 assets;

11 This paragraph shall not apply to the following:

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

19 (ii) any item of intangible expense or cost
20 paid, accrued, or incurred, directly or
21 indirectly, if the taxpayer can establish, based
22 on a preponderance of the evidence, both of the
23 following:

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

28 (b) the transaction giving rise to the
29 intangible expense or cost between the
30 taxpayer and the foreign person did not have as
31 a principal purpose the avoidance of Illinois
32 income tax, and is paid pursuant to a contract
33 or agreement that reflects arm's-length terms;
34 or

35 (iii) any item of intangible expense or cost
36 paid, accrued, or incurred, directly or

1 indirectly, from a transaction with a foreign
2 person if the taxpayer establishes by clear and
3 convincing evidence, that the adjustments are
4 unreasonable; or if the taxpayer and the Director
5 agree in writing to the application or use of an
6 alternative method of apportionment under Section
7 304(f);

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

17 (D-9) For taxable years ending on or after December
18 31, 2006, an amount equal to any deduction taken on the
19 taxpayer's federal income tax return for qualified
20 costs of a slow-payment loan for which a credit is
21 received under Section 216;

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

24 (E) The valuation limitation amount;

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

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

1 of bond premium amortization;

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

8 (I) An amount equal to all amounts of income
9 distributable to an entity subject to the Personal
10 Property Tax Replacement Income Tax imposed by
11 subsections (c) and (d) of Section 201 of this Act
12 including amounts distributable to organizations
13 exempt from federal income tax by reason of Section
14 501(a) of the Internal Revenue Code;

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

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

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

1 Property Tax Increment Allocation Redevelopment Act;

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

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

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

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

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

33 The aggregate amount deducted under this
34 subparagraph in all taxable years for any one piece of
35 property may not exceed the amount of the bonus
36 depreciation deduction (30% of the adjusted basis of

1 the qualified property) taken on that property on the
2 taxpayer's federal income tax return under subsection
3 (k) of Section 168 of the Internal Revenue Code;

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

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

14 (Q) The amount of (i) any interest income (net of
15 the deductions allocable thereto) taken into account
16 for the taxable year with respect to a transaction with
17 a taxpayer that is required to make an addition
18 modification with respect to such transaction under
19 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
20 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
21 the amount of such addition modification and (ii) any
22 income from intangible property (net of the deductions
23 allocable thereto) taken into account for the taxable
24 year with respect to a transaction with a taxpayer that
25 is required to make an addition modification with
26 respect to such transaction under Section
27 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
28 203(d)(2)(D-8), but not to exceed the amount of such
29 addition modification;

30 (R) An amount equal to the interest income taken
31 into account for the taxable year (net of the
32 deductions allocable thereto) with respect to
33 transactions with a foreign person who would be a
34 member of the taxpayer's unitary business group but for
35 the fact that the foreign person's business activity
36 outside the United States is 80% or more of that

1 person's total business activity, but not to exceed the
2 addition modification required to be made for the same
3 taxable year under Section 203(d)(2)(D-7) for interest
4 paid, accrued, or incurred, directly or indirectly, to
5 the same foreign person; and

6 (S) An amount equal to the income from intangible
7 property taken into account for the taxable year (net
8 of the deductions allocable thereto) with respect to
9 transactions with a foreign person who would be a
10 member of the taxpayer's unitary business group but for
11 the fact that the foreign person's business activity
12 outside the United States is 80% or more of that
13 person's total business activity, but not to exceed the
14 addition modification required to be made for the same
15 taxable year under Section 203(d)(2)(D-8) for
16 intangible expenses and costs paid, accrued, or
17 incurred, directly or indirectly, to the same foreign
18 person.

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

20 (1) In general. Subject to the provisions of paragraph
21 (2) and subsection (b) (3), for purposes of this Section
22 and Section 803(e), a taxpayer's gross income, adjusted
23 gross income, or taxable income for the taxable year shall
24 mean the amount of gross income, adjusted gross income or
25 taxable income properly reportable for federal income tax
26 purposes for the taxable year under the provisions of the
27 Internal Revenue Code. Taxable income may be less than
28 zero. However, for taxable years ending on or after
29 December 31, 1986, net operating loss carryforwards from
30 taxable years ending prior to December 31, 1986, may not
31 exceed the sum of federal taxable income for the taxable
32 year before net operating loss deduction, plus the excess
33 of addition modifications over subtraction modifications
34 for the taxable year. For taxable years ending prior to
35 December 31, 1986, taxable income may never be an amount in

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

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

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

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

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

35 (D) Real estate investment trusts. In the case of a
36 real estate investment trust subject to the tax imposed

1 by Section 857 of the Internal Revenue Code, real
2 estate investment trust taxable income;

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

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

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

36 (H) Partnerships. In the case of a partnership,

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

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

24 (f) Valuation limitation amount.

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

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

33 (B) The lesser of (i) the sum of the pre-August 1,
34 1969 appreciation amounts (to the extent consisting of
35 capital gain) for all property in respect of which such
36 gain was reported for federal income tax purposes for

1 the taxable year, or (ii) the net capital gain for the
2 taxable year, reduced in either case by any amount of
3 such gain included in the amount determined under
4 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

28 (C) The Department shall prescribe such
29 regulations as may be necessary to carry out the
30 purposes of this paragraph.

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

34 (h) Legislative intention. Except as expressly provided by

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

9 (Source: P.A. 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439,
10 eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02;
11 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; 93-812, eff.
12 7-26-04; 93-840, eff. 7-30-04; revised 10-12-04.)

13 (35 ILCS 5/216 new)

14 Sec. 216. Credit for qualified costs of slow-payment loans.

15 (a) For taxable years ending on or after December 31, 2006
16 and ending on or before December 30, 2011, each taxpayer who
17 receives a slow-payment loan during the taxable year is
18 entitled to a credit against the tax imposed under subsections
19 (a) and (b) of Section 201 in an amount equal to the qualified
20 costs of the slow-payment loan incurred by the taxpayer during
21 the taxable year.

22 (b) For purposes of this Section:

23 "Slow-payment loan" means a commercial loan, credit, or
24 other debt instrument issued to cover the on-going business
25 expenses of a vendor or contractor where, as set forth under
26 the State Prompt Payment Act, a State official or agency is
27 late, by 90 days or more, in the payment of the vendor's or
28 contractor's proper bill or invoice for goods or services
29 furnished to the State.

30 "Qualified costs" means any interest, points, fees, or
31 other expenses incurred by the borrower in order to receive a
32 slow-payment loan. "Qualified costs" does not, however,
33 include any interest penalty or other penalty incurred by the
34 borrower for the borrower's default under a slow-payment loan.

35 "Goods or services furnished to the State", "proper bill or

1 invoice", and "State official or agency" have the definitions
2 set forth under the State Prompt Payment Act.

3 (c) If the taxpayer is a partnership or Subchapter S
4 corporation, the credit is allowed to the partners or
5 shareholders in accordance with the determination of income and
6 distributive share of income under Sections 702 and 704 and
7 Subchapter S of the Internal Revenue Code.

8 (d) The credit may not be carried back. If the amount of
9 the credit exceeds the tax liability for the year, the excess
10 may be carried forward and applied to the tax liability of the
11 3 taxable years following the excess credit year. The tax
12 credit shall be applied to the earliest year for which there is
13 a tax liability. If there are credits for more than one year
14 that are available to offset a liability, the earlier credit
15 shall be applied first.

16 Section 99. Effective date. This Act takes effect upon
17 becoming law.