



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB2246

Introduced 1/11/2006, by Sen. Terry Link

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates an income tax deduction in an amount equal to 65% of the gross wages paid to a released individual during the released individual's sustained employment with the taxpayer during the taxable year. Defines "released individual" as a person who, within the immediately preceding 3 calendar years prior to initial employment by the taxpayer, has completed a sentence imposed by any State court or federal court in Illinois for any criminal offense for which a term of incarceration of more than 60 days may be imposed, regardless of whether the person was actually incarcerated. Provides that the deduction may not exceed \$20,000 per released individual in any taxable year. Creates an income tax deduction for certain tuition, training, and child-care expenses paid by the taxpayer with respect to released individuals who are employed by the taxpayer. Provides that the deduction may not exceed \$1,000 per released individual in any taxable year. Effective immediately.

LRB094 16188 BDD 51431 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 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 and by deducting from the total so obtained the sum of the
17 following amounts:

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

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

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

20 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

1 Increment Allocation Redevelopment Act;

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

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

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

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

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

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

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

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

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

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

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

28 (Y) For taxable years beginning on or after January
29 1, 2002 and ending on or before December 31, 2004,
30 moneys contributed in the taxable year to a College
31 Savings Pool account under Section 16.5 of the State
32 Treasurer Act, except that amounts excluded from gross
33 income under Section 529(c)(3)(C)(i) of the Internal
34 Revenue Code shall not be considered moneys
35 contributed under this subparagraph (Y). For taxable
36 years beginning on or after January 1, 2005, a maximum

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

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

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

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

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

34 (AA) If the taxpayer reports a capital gain or loss
35 on the taxpayer's federal income tax return for the
36 taxable year based on a sale or transfer of property

1 for which the taxpayer was required in any taxable year
2 to make an addition modification under subparagraph
3 (D-15), then an amount equal to that addition
4 modification.

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

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

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

27 (DD) An amount equal to the interest income taken
28 into account for the taxable year (net of the
29 deductions allocable thereto) with respect to
30 transactions with a foreign person who would be a
31 member of the taxpayer's unitary business group but for
32 the fact that the foreign person's business activity
33 outside the United States is 80% or more of that
34 person's total business activity, but not to exceed the
35 addition modification required to be made for the same
36 taxable year under Section 203(a)(2)(D-17) for

1 interest paid, accrued, or incurred, directly or
2 indirectly, to the same foreign person; ~~and~~

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

16 (FF) For taxable years ending on or after December
17 31, 2006 and ending on or before December 30, 2011,
18 with respect to employees initially hired on or after
19 the effective date of this amendatory Act of the 94th
20 General Assembly, an amount equal to 65% of the gross
21 wages paid to a released individual during the released
22 individual's sustained employment with the taxpayer
23 during the taxable year. For the purposes of this
24 subparagraph and of subparagraph (GG), "released
25 individual" means a person who, within the immediately
26 preceding 3 calendar years prior to initial employment
27 by the taxpayer, has completed a sentence imposed by
28 any State court or federal court in Illinois for any
29 criminal offense for which a term of incarceration of
30 more than 60 days may be imposed, regardless of whether
31 the person was actually incarcerated; "sustained
32 employment" means a period of employment that is not
33 less than 180 days during the taxable year. The
34 deduction under this subparagraph is in addition to any
35 expense deducted from the taxpayer's federal adjusted
36 gross income or any other deduction under this Act. In

1 no event may the deduction under this subparagraph
2 exceed \$20,000 per released individual in any taxable
3 year; and

4 (GG) For taxable years ending on or after December
5 31, 2006 and ending on or before December 30, 2011,
6 with respect to employees initially hired on or after
7 the effective date of this amendatory Act of the 94th
8 General Assembly, an amount equal to 100% of the
9 allowable employer costs paid for the benefit of a
10 released individual during the released individual's
11 sustained employment with the taxpayer during the
12 taxable year. For the purpose of this subparagraph,
13 "allowable employer costs" include, without
14 limitation, job-training expenses, tuition for
15 enrollment and the completion of a General Equivalency
16 Degree, and child care. The deduction under this
17 subparagraph is in addition to any expense deducted
18 from the taxpayer's federal adjusted gross income or
19 any other deduction under this Act. In no event may the
20 deduction under this subparagraph exceed \$1,000 per
21 released individual in any taxable year.

22 (b) Corporations.

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

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

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

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

1 the computation of taxable income for the taxable year;

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

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

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

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

34 (ii) the addition modification relating to the
35 net operating loss carried back or forward to the
36 taxable year from any taxable year ending prior to

1 December 31, 1986 shall not exceed the amount of
2 such carryback or carryforward;

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

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

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

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

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

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

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

17 This paragraph shall not apply to the following:

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

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

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

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

1 and is paid pursuant to a contract or agreement
2 that reflects an arm's-length interest rate
3 and terms; or

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

10 (iv) an item of interest paid, accrued, or
11 incurred, directly or indirectly, to a foreign
12 person if the taxpayer establishes by clear and
13 convincing evidence that the adjustments are
14 unreasonable; or if the taxpayer and the Director
15 agree in writing to the application or use of an
16 alternative method of apportionment under Section
17 304(f).

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

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

1 (ii) any item of intangible expense or cost
2 paid, accrued, or incurred, directly or
3 indirectly, if the taxpayer can establish, based
4 on a preponderance of the evidence, both of the
5 following:

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

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

17 (iii) any item of intangible expense or cost
18 paid, accrued, or incurred, directly or
19 indirectly, from a transaction with 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 and by deducting from the total so obtained the sum of the
36 following amounts:

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

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

6 (H) In the case of a regulated investment company,
7 an amount equal to the amount of exempt interest
8 dividends as defined in subsection (b) (5) of Section
9 852 of the Internal Revenue Code, paid to shareholders
10 for the taxable year;

11 (I) With the exception of any amounts subtracted
12 under subparagraph (J), an amount equal to the sum of
13 all amounts disallowed as deductions by (i) Sections
14 171(a) (2), and 265(a) (2) and amounts disallowed as
15 interest expense by Section 291(a) (3) of the Internal
16 Revenue Code, as now or hereafter amended, and all
17 amounts of expenses allocable to interest and
18 disallowed as deductions by Section 265(a) (1) of the
19 Internal Revenue Code, as now or hereafter amended; and
20 (ii) for taxable years ending on or after August 13,
21 1999, Sections 171(a) (2), 265, 280C, 291(a) (3), and
22 832(b) (5) (B) (i) of the Internal Revenue Code; the
23 provisions of this subparagraph are exempt from the
24 provisions of Section 250;

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

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

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

33 (M-1) For any taxpayer that is a financial
34 organization within the meaning of Section 304(c) of
35 this Act, an amount included in such total as interest
36 income from a loan or loans made by such taxpayer to a

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

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

30 (O) An amount equal to: (i) 85% for taxable years
31 ending on or before December 31, 1992, or, a percentage
32 equal to the percentage allowable under Section
33 243(a)(1) of the Internal Revenue Code of 1986 for
34 taxable years ending after December 31, 1992, of the
35 amount by which dividends included in taxable income
36 and received from a corporation that is not created or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 (W) An amount equal to the interest income taken
29 into account for the taxable year (net of the
30 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(b)(2)(E-12) for
2 interest paid, accrued, or incurred, directly or
3 indirectly, to the same foreign person; and

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

17 (Y) For taxable years ending on or after December
18 31, 2006 and ending on or before December 30, 2011,
19 with respect to employees initially hired on or after
20 the effective date of this amendatory Act of the 94th
21 General Assembly, an amount equal to 65% of the gross
22 wages paid to a released individual during the released
23 individual's sustained employment with the taxpayer
24 during the taxable year. For the purposes of this
25 subparagraph and of subparagraph (Z), "released
26 individual" means a person who, within the immediately
27 preceding 3 calendar years prior to initial employment
28 by the taxpayer, has completed a sentence imposed by
29 any State court or federal court in Illinois for any
30 criminal offense for which a term of incarceration of
31 more than 60 days may be imposed, regardless of whether
32 the person was actually incarcerated; "sustained
33 employment" means a period of employment that is not
34 less than 180 days during the taxable year. The
35 deduction under this subparagraph is in addition to any
36 expense deducted from the taxpayer's federal adjusted

1 gross income or any other deduction under this Act. In
2 no event may the deduction under this subparagraph
3 exceed \$20,000 per released individual in any taxable
4 year; and

5 (Z) For taxable years ending on or after December
6 31, 2006 and ending on or before December 30, 2011,
7 with respect to employees initially hired on or after
8 the effective date of this amendatory Act of the 94th
9 General Assembly, an amount equal to 100% of the
10 allowable employer costs paid for the benefit of a
11 released individual during the released individual's
12 sustained employment with the taxpayer during the
13 taxable year. For the purpose of this subparagraph,
14 "allowable employer costs" include, without
15 limitation, job-training expenses, tuition for
16 enrollment and the completion of a General Equivalency
17 Degree, and child care. The deduction under this
18 subparagraph is in addition to any expense deducted
19 from the taxpayer's federal adjusted gross income or
20 any other deduction under this Act. In no event may the
21 deduction under this subparagraph exceed \$1,000 per
22 released individual in any taxable year.

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

27 (c) Trusts and estates.

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

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

35 (A) An amount equal to all amounts paid or accrued

1 to the taxpayer as interest or dividends during the
2 taxable year to the extent excluded from gross income
3 in the computation of taxable income;

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

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

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

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

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

35 (ii) the addition modification relating to the
36 net operating loss carried back or forward to the

1 taxable year from any taxable year ending prior to
2 December 31, 1986 shall not exceed the amount of
3 such carryback or carryforward;

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

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

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

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

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

32 (G-11) If the taxpayer reports a capital gain or
33 loss on the taxpayer's federal income tax return for
34 the taxable year based on a sale or transfer of
35 property for which the taxpayer was required in any
36 taxable year to make an addition modification under

1 subparagraph (G-10), then an amount equal to the
2 aggregate amount of the deductions taken in all taxable
3 years under subparagraph (R) with respect to that
4 property.

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

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

28 This paragraph shall not apply to the following:

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

35 (ii) an item of interest paid, accrued, or
36 incurred, directly or indirectly, to a foreign

1 person if the taxpayer can establish, based on a
2 preponderance of the evidence, both of the
3 following:

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

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

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

21 (iv) an item of interest paid, accrued, or
22 incurred, directly or indirectly, to a foreign
23 person if the taxpayer establishes by clear and
24 convincing evidence that the adjustments are
25 unreasonable; or if the taxpayer and the Director
26 agree in writing to the application or use of an
27 alternative method of apportionment under Section
28 304(f).

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

1 under Section 404 of this Act;

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

1 includes patents, patent applications, trade names,
2 trademarks, service marks, copyrights, mask works,
3 trade secrets, and similar types of intangible assets.

4 This paragraph shall not apply to the following:

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

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

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

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

28 (iii) any item of intangible expense or cost
29 paid, accrued, or incurred, directly or
30 indirectly, from a transaction with a foreign
31 person if the taxpayer establishes by clear and
32 convincing evidence, that the adjustments are
33 unreasonable; or if the taxpayer and the Director
34 agree in writing to the application or use of an
35 alternative method of apportionment under Section
36 304(f);

1 Nothing in this subsection shall preclude the
2 Director from making any other adjustment
3 otherwise allowed under Section 404 of this Act for
4 any tax year beginning after the effective date of
5 this amendment provided such adjustment is made
6 pursuant to regulation adopted by the Department
7 and such regulations provide methods and standards
8 by which the Department will utilize its authority
9 under Section 404 of this Act;

10 and by deducting from the total so obtained the sum of the
11 following amounts:

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

23 (I) The valuation limitation amount;

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

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

1 amortization;

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

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

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

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

33 (P) An amount equal to the amount of the deduction
34 used to compute the federal income tax credit for
35 restoration of substantial amounts held under claim of
36 right for the taxable year pursuant to Section 1341 of

1 the Internal Revenue Code of 1986;

2 (Q) For taxable year 1999 and thereafter, an amount
3 equal to the amount of any (i) distributions, to the
4 extent includible in gross income for federal income
5 tax purposes, made to the taxpayer because of his or
6 her status as a victim of persecution for racial or
7 religious reasons by Nazi Germany or any other Axis
8 regime or as an heir of the victim and (ii) items of
9 income, to the extent includible in gross income for
10 federal income tax purposes, attributable to, derived
11 from or in any way related to assets stolen from,
12 hidden from, or otherwise lost to a victim of
13 persecution for racial or religious reasons by Nazi
14 Germany or any other Axis regime immediately prior to,
15 during, and immediately after World War II, including,
16 but not limited to, interest on the proceeds receivable
17 as insurance under policies issued to a victim of
18 persecution for racial or religious reasons by Nazi
19 Germany or any other Axis regime by European insurance
20 companies immediately prior to and during World War II;
21 provided, however, this subtraction from federal
22 adjusted gross income does not apply to assets acquired
23 with such assets or with the proceeds from the sale of
24 such assets; provided, further, this paragraph shall
25 only apply to a taxpayer who was the first recipient of
26 such assets after their recovery and who is a victim of
27 persecution for racial or religious reasons by Nazi
28 Germany or any other Axis regime or as an heir of the
29 victim. The amount of and the eligibility for any
30 public assistance, benefit, or similar entitlement is
31 not affected by the inclusion of items (i) and (ii) of
32 this paragraph in gross income for federal income tax
33 purposes. This paragraph is exempt from the provisions
34 of Section 250;

35 (R) For taxable years 2001 and thereafter, for the
36 taxable year in which the bonus depreciation deduction

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

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

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

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

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

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

33 (T) The amount of (i) any interest income (net of
34 the deductions allocable thereto) taken into account
35 for the taxable year with respect to a transaction with
36 a taxpayer that is required to make an addition

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

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

25 (V) An amount equal to the income from intangible
26 property taken into account for the taxable year (net
27 of the deductions allocable thereto) with respect to
28 transactions with a foreign person who would be a
29 member of the taxpayer's unitary business group but for
30 the fact that the foreign person's business activity
31 outside the United States is 80% or more of that
32 person's total business activity, but not to exceed the
33 addition modification required to be made for the same
34 taxable year under Section 203(c)(2)(G-13) for
35 intangible expenses and costs paid, accrued, or
36 incurred, directly or indirectly, to the same foreign

1 person;

2 (W) For taxable years ending on or after December
3 31, 2006 and ending on or before December 30, 2011,
4 with respect to employees initially hired on or after
5 the effective date of this amendatory Act of the 94th
6 General Assembly, an amount equal to 65% of the gross
7 wages paid to a released individual during the released
8 individual's sustained employment with the taxpayer
9 during the taxable year. For the purposes of this
10 subparagraph and of subparagraph (X), "released
11 individual" means a person who, within the immediately
12 preceding 3 calendar years prior to initial employment
13 by the taxpayer, has completed a sentence imposed by
14 any State court or federal court in Illinois for any
15 criminal offense for which a term of incarceration of
16 more than 60 days may be imposed, regardless of whether
17 the person was actually incarcerated; "sustained
18 employment" means a period of employment that is not
19 less than 180 days during the taxable year. The
20 deduction under this subparagraph is in addition to any
21 expense deducted from the taxpayer's federal adjusted
22 gross income or any other deduction under this Act. In
23 no event may the deduction under this subparagraph
24 exceed \$20,000 per released individual in any taxable
25 year; and

26 (X) For taxable years ending on or after December
27 31, 2006 and ending on or before December 30, 2011,
28 with respect to employees initially hired on or after
29 the effective date of this amendatory Act of the 94th
30 General Assembly, an amount equal to 100% of the
31 allowable employer costs paid for the benefit of a
32 released individual during the released individual's
33 sustained employment with the taxpayer during the
34 taxable year. For the purpose of this subparagraph,
35 "allowable employer costs" include, without
36 limitation, job-training expenses, tuition for

1 enrollment and the completion of a General Equivalency
2 Degree, and child care. The deduction under this
3 subparagraph is in addition to any expense deducted
4 from the taxpayer's federal adjusted gross income or
5 any other deduction under this Act. In no event may the
6 deduction under this subparagraph exceed \$1,000 per
7 released individual in any taxable year.

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

15 (d) Partnerships.

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

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

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

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

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

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

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

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

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

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

1 the interest was paid, accrued, or incurred.

2 This paragraph shall not apply to the following:

3 (i) an item of interest paid, accrued, or
4 incurred, directly or indirectly, to 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 interest; or

9 (ii) an item of interest paid, accrued, or
10 incurred, directly or indirectly, to a foreign
11 person if the taxpayer can establish, based on a
12 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 interest to a person that is not a related
17 member, and

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

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

31 (iv) an item of interest paid, accrued, or
32 incurred, directly or indirectly, to a foreign
33 person if the taxpayer establishes by clear and
34 convincing evidence that the adjustments are
35 unreasonable; or if the taxpayer and the Director
36 agree in writing to the application or use of an

1 alternative method of apportionment under Section
2 304(f).

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

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

1 includes (1) expenses, losses, and costs for, or
2 related to, the direct or indirect acquisition, use,
3 maintenance or management, ownership, sale, exchange,
4 or any other disposition of intangible property; (2)
5 losses incurred, directly or indirectly, from
6 factoring transactions or discounting transactions;
7 (3) royalty, patent, technical, and copyright fees;
8 (4) licensing fees; and (5) other similar expenses and
9 costs. For purposes of this subparagraph, "intangible
10 property" includes patents, patent applications, trade
11 names, trademarks, service marks, copyrights, mask
12 works, trade secrets, and similar types of intangible
13 assets;

14 This paragraph shall not apply to the following:

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

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

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

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

1 or

2 (iii) any item of intangible expense or cost
3 paid, accrued, or incurred, directly or
4 indirectly, from a transaction with a foreign
5 person if the taxpayer establishes by clear and
6 convincing evidence, that the adjustments are
7 unreasonable; or if the taxpayer and the Director
8 agree in writing to the application or use of an
9 alternative method of apportionment under Section
10 304(f);

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

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

22 (E) The valuation limitation amount;

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

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

36 (H) Any income of the partnership which

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

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

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

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

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

36 (M) An amount equal to those dividends included in

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

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

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

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

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

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

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

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

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

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

28 (R) An amount equal to the interest income taken
29 into account for the taxable year (net of the
30 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(d) (2) (D-7) for interest
2 paid, accrued, or incurred, directly or indirectly, to
3 the same foreign person; and

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

17 (T) For taxable years ending on or after December
18 31, 2006 and ending on or before December 30, 2011,
19 with respect to employees initially hired on or after
20 the effective date of this amendatory Act of the 94th
21 General Assembly, an amount equal to 65% of the gross
22 wages paid to a released individual during the released
23 individual's sustained employment with the taxpayer
24 during the taxable year. For the purposes of this
25 subparagraph and of subparagraph (U), "released
26 individual" means a person who, within the immediately
27 preceding 3 calendar years prior to initial employment
28 by the taxpayer, has completed a sentence imposed by
29 any State court or federal court in Illinois for any
30 criminal offense for which a term of incarceration of
31 more than 60 days may be imposed, regardless of whether
32 the person was actually incarcerated; "sustained
33 employment" means a period of employment that is not
34 less than 180 days during the taxable year. The
35 deduction under this subparagraph is in addition to any
36 expense deducted from the taxpayer's federal adjusted

1 gross income or any other deduction under this Act. In
2 no event may the deduction under this subparagraph
3 exceed \$20,000 per released individual in any taxable
4 year; and

5 (U) For taxable years ending on or after December
6 31, 2006 and ending on or before December 30, 2011,
7 with respect to employees initially hired on or after
8 the effective date of this amendatory Act of the 94th
9 General Assembly, an amount equal to 100% of the
10 allowable employer costs paid for the benefit of a
11 released individual during the released individual's
12 sustained employment with the taxpayer during the
13 taxable year. For the purpose of this subparagraph,
14 "allowable employer costs" include, without
15 limitation, job-training expenses, tuition for
16 enrollment and the completion of a General Equivalency
17 Degree, and child care. The deduction under this
18 subparagraph is in addition to any expense deducted
19 from the taxpayer's federal adjusted gross income or
20 any other deduction under this Act. In no event may the
21 deduction under this subparagraph exceed \$1,000 per
22 released individual in any taxable year.

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

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

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

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

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

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

35 (C) Regulated investment companies. In the case of
36 a regulated investment company subject to the tax

1 imposed by Section 852 of the Internal Revenue Code,
2 investment company taxable income;

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

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

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

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

1 effect on July 1, 1982, the taxable income of such
2 corporation determined in accordance with the federal
3 Subchapter S rules as in effect on July 1, 1982; and

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

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

28 (f) Valuation limitation amount.

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

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

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

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

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

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

32 (C) The Department shall prescribe such
33 regulations as may be necessary to carry out the
34 purposes of this paragraph.

35 (g) Double deductions. Unless specifically provided

1 otherwise, nothing in this Section shall permit the same item
2 to be deducted more than once.

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

12 (Source: P.A. 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439,
13 eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02;
14 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; 93-812, eff.
15 7-26-04; 93-840, eff. 7-30-04; revised 10-12-04.)

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