



Sen. Don Harmon

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1 AMENDMENT TO HOUSE BILL 2239

2 AMENDMENT NO. _____. Amend House Bill 2239 by replacing
3 everything after the enacting clause with the following:

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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 adjusted gross income, except
4 stock dividends of qualified public utilities
5 described in Section 305(e) of the Internal Revenue
6 Code;

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

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

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

1 (D-5) An amount, to the extent not included in
2 adjusted gross income, equal to the amount of money
3 withdrawn by the taxpayer in the taxable year from a
4 medical care savings account and the interest earned on
5 the account in the taxable year of a withdrawal
6 pursuant to subsection (b) of Section 20 of the Medical
7 Care Savings Account Act or subsection (b) of Section
8 20 of the Medical Care Savings Account Act of 2000;

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

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

19 (D-16) If the taxpayer sells, transfers, abandons,
20 or otherwise disposes of property for which the
21 taxpayer was required in any taxable year to make an
22 addition modification under subparagraph (D-15), then
23 an amount equal to the aggregate amount of the
24 deductions taken in all taxable years under
25 subparagraph (Z) with respect to that property.

26 If the taxpayer continues to own property through

1 the last day of the last tax year for which the
2 taxpayer may claim a depreciation deduction for
3 federal income tax purposes and for which the taxpayer
4 was allowed in any taxable year to make a subtraction
5 modification under subparagraph (Z), then an amount
6 equal to that subtraction modification.

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

10 (D-17) An amount equal to the amount otherwise
11 allowed as a deduction in computing base income for
12 interest paid, accrued, or incurred, directly or
13 indirectly, (i) for taxable years ending on or after
14 December 31, 2004, to a foreign person who would be a
15 member of the same unitary business group but for the
16 fact that foreign person's business activity outside
17 the United States is 80% or more of the foreign
18 person's total business activity and (ii) for taxable
19 years ending on or after December 31, 2008, to a person
20 who would be a member of the same unitary business
21 group but for the fact that the person is prohibited
22 under Section 1501(a)(27) from being included in the
23 unitary business group because he or she is ordinarily
24 required to apportion business income under different
25 subsections of Section 304. The addition modification
26 required by this subparagraph shall be reduced to the

1 extent that dividends were included in base income of
2 the unitary group for the same taxable year and
3 received by the taxpayer or by a member of the
4 taxpayer's unitary business group (including amounts
5 included in gross income under Sections 951 through 964
6 of the Internal Revenue Code and amounts included in
7 gross income under Section 78 of the Internal Revenue
8 Code) with respect to the stock of the same person to
9 whom the interest was paid, accrued, or incurred.

10 This paragraph shall not apply to the following:

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

17 (ii) an item of interest paid, accrued, or
18 incurred, directly or indirectly, to a person if
19 the taxpayer can establish, based on a
20 preponderance of the evidence, both of the
21 following:

22 (a) the person, during the same taxable
23 year, paid, accrued, or incurred, the interest
24 to a person that is not a related member, and

25 (b) the transaction giving rise to the
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the
2 avoidance of Illinois income tax, and is paid
3 pursuant to a contract or agreement that
4 reflects an arm's-length interest rate and
5 terms; or

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

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

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

1 under Section 404 of this Act;

2 (D-18) An amount equal to the amount of intangible
3 expenses and costs otherwise allowed as a deduction in
4 computing base income, and that were paid, accrued, or
5 incurred, directly or indirectly, (i) for taxable
6 years ending on or after December 31, 2004, 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 and (ii) for taxable years ending on or after
12 December 31, 2008, to a person who would be a member of
13 the same unitary business group but for the fact that
14 the person is prohibited under Section 1501(a)(27)
15 from being included in the unitary business group
16 because he or she is ordinarily required to apportion
17 business income under different subsections of Section
18 304. The addition modification required by this
19 subparagraph shall be reduced to the extent that
20 dividends were included in base income of the unitary
21 group for the same taxable year and received by the
22 taxpayer or by a member of the taxpayer's unitary
23 business group (including amounts included in gross
24 income under Sections 951 through 964 of the Internal
25 Revenue Code and amounts included in gross income under
26 Section 78 of the Internal Revenue Code) with respect

1 to the stock of the same person to whom the intangible
2 expenses and costs were directly or indirectly paid,
3 incurred, or accrued. The preceding sentence does not
4 apply to the extent that the same dividends caused a
5 reduction to the addition modification required under
6 Section 203(a)(2)(D-17) of this Act. As used in this
7 subparagraph, the term "intangible expenses and costs"
8 includes (1) expenses, losses, and costs for, or
9 related to, the direct or indirect acquisition, use,
10 maintenance or management, ownership, sale, exchange,
11 or any other disposition of intangible property; (2)
12 losses incurred, directly or indirectly, from
13 factoring transactions or discounting transactions;
14 (3) royalty, patent, technical, and copyright fees;
15 (4) licensing fees; and (5) other similar expenses and
16 costs. For purposes of this subparagraph, "intangible
17 property" includes patents, patent applications, trade
18 names, trademarks, service marks, copyrights, mask
19 works, trade secrets, and similar types of intangible
20 assets.

21 This paragraph shall not apply to the following:

22 (i) any item of intangible expenses or costs
23 paid, accrued, or incurred, directly or
24 indirectly, from a transaction with a person who is
25 subject in a foreign country or state, other than a
26 state which requires mandatory unitary reporting,

1 to a tax on or measured by net income with respect
2 to such item; or

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

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

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

19 (iii) any item of intangible expense or cost
20 paid, accrued, or incurred, directly or
21 indirectly, from a transaction with a person if the
22 taxpayer establishes by clear and convincing
23 evidence, that the adjustments are unreasonable;
24 or if the taxpayer and the Director agree in
25 writing to the application or use of an alternative
26 method of apportionment under Section 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 (D-19) For taxable years ending on or after
11 December 31, 2008, an amount equal to the amount of
12 insurance premium expenses and costs otherwise allowed
13 as a deduction in computing base income, and that were
14 paid, accrued, or incurred, directly or indirectly, to
15 a person who would be a member of the same unitary
16 business group but for the fact that the person is
17 prohibited under Section 1501(a)(27) from being
18 included in the unitary business group because he or
19 she is ordinarily required to apportion business
20 income under different subsections of Section 304. 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 under

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the stock
4 of the same person to whom the premiums and costs were
5 directly or indirectly paid, incurred, or accrued. The
6 preceding sentence does not apply to the extent that
7 the same dividends caused a reduction to the addition
8 modification required under Section 203(a) (2) (D-17) or
9 Section 203(a) (2) (D-18) of this Act.

10 (D-20) For taxable years beginning on or after
11 January 1, 2002 and ending on or before December 31,
12 2006, in the case of a distribution from a qualified
13 tuition program under Section 529 of the Internal
14 Revenue Code, other than (i) a distribution from a
15 College Savings Pool created under Section 16.5 of the
16 State Treasurer Act or (ii) a distribution from the
17 Illinois Prepaid Tuition Trust Fund, an amount equal to
18 the amount excluded from gross income under Section
19 529(c) (3) (B). For taxable years beginning on or after
20 January 1, 2007, in the case of a distribution from a
21 qualified tuition program under Section 529 of the
22 Internal Revenue Code, other than (i) a distribution
23 from a College Savings Pool created under Section 16.5
24 of the State Treasurer Act, (ii) a distribution from
25 the Illinois Prepaid Tuition Trust Fund, or (iii) a
26 distribution from a qualified tuition program under

1 Section 529 of the Internal Revenue Code that (I)
2 adopts and determines that its offering materials
3 comply with the College Savings Plans Network's
4 disclosure principles and (II) has made reasonable
5 efforts to inform in-state residents of the existence
6 of in-state qualified tuition programs by informing
7 Illinois residents directly and, where applicable, to
8 inform financial intermediaries distributing the
9 program to inform in-state residents of the existence
10 of in-state qualified tuition programs at least
11 annually, an amount equal to the amount excluded from
12 gross income under Section 529(c) (3) (B) .

13 For the purposes of this subparagraph (D-20), a
14 qualified tuition program has made reasonable efforts
15 if it makes disclosures (which may use the term
16 "in-state program" or "in-state plan" and need not
17 specifically refer to Illinois or its qualified
18 programs by name) (i) directly to prospective
19 participants in its offering materials or makes a
20 public disclosure, such as a website posting; and (ii)
21 where applicable, to intermediaries selling the
22 out-of-state program in the same manner that the
23 out-of-state program distributes its offering
24 materials;

25 (D-21) For taxable years beginning on or after
26 January 1, 2007, in the case of transfer of moneys from

1 a qualified tuition program under Section 529 of the
2 Internal Revenue Code that is administered by the State
3 to an out-of-state program, an amount equal to the
4 amount of moneys previously deducted from base income
5 under subsection (a) (2) (Y) of this Section;

6 (D-22) For taxable years beginning on or after
7 January 1, 2009, in the case of a nonqualified
8 withdrawal or refund of moneys from a qualified tuition
9 program under Section 529 of the Internal Revenue Code
10 administered by the State that is not used for
11 qualified expenses at an eligible education
12 institution, an amount equal to the contribution
13 component of the nonqualified withdrawal or refund
14 that was previously deducted from base income under
15 subsection (a) (2) (y) of this Section, provided that
16 the withdrawal or refund did not result from the
17 beneficiary's death or disability;~~;~~

18 ~~(D-23)~~ ~~(D-22)~~ An amount equal to the credit
19 allowable to the taxpayer under Section 218(a) of this
20 Act, determined without regard to Section 218(c) of
21 this Act;~~;~~

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

24 (E) For taxable years ending before December 31,
25 2001, any amount included in such total in respect of
26 any compensation (including but not limited to any

1 compensation paid or accrued to a serviceman while a
2 prisoner of war or missing in action) paid to a
3 resident by reason of being on active duty in the Armed
4 Forces of the United States and in respect of any
5 compensation paid or accrued to a resident who as a
6 governmental employee was a prisoner of war or missing
7 in action, and in respect of any compensation paid to a
8 resident in 1971 or thereafter for annual training
9 performed pursuant to Sections 502 and 503, Title 32,
10 United States Code as a member of the Illinois National
11 Guard or, beginning with taxable years ending on or
12 after December 31, 2007, the National Guard of any
13 other state. For taxable years ending on or after
14 December 31, 2001, any amount included in such total in
15 respect of any compensation (including but not limited
16 to any compensation paid or accrued to a serviceman
17 while a prisoner of war or missing in action) paid to a
18 resident by reason of being a member of any component
19 of the Armed Forces of the United States and in respect
20 of any compensation paid or accrued to a resident who
21 as a governmental employee was a prisoner of war or
22 missing in action, and in respect of any compensation
23 paid to a resident in 2001 or thereafter by reason of
24 being a member of the Illinois National Guard or,
25 beginning with taxable years ending on or after
26 December 31, 2007, the National Guard of any other

1 state. The provisions of this amendatory Act of the
2 92nd General Assembly are exempt from the provisions of
3 Section 250;

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

15 (G) The valuation limitation amount;

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

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

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

1 zones created under the Illinois Enterprise Zone Act or
2 a River Edge Redevelopment Zone or zones created under
3 the River Edge Redevelopment Zone Act, and conducts
4 substantially all of its operations in an Enterprise
5 Zone or zones or a River Edge Redevelopment Zone or
6 zones. This subparagraph (J) is exempt from the
7 provisions of Section 250;

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

17 (L) For taxable years ending after December 31,
18 1983, an amount equal to all social security benefits
19 and railroad retirement benefits included in such
20 total pursuant to Sections 72(r) and 86 of the Internal
21 Revenue Code;

22 (M) With the exception of any amounts subtracted
23 under subparagraph (N), an amount equal to the sum of
24 all amounts disallowed as deductions by (i) Sections
25 171(a) (2), and 265(2) of the Internal Revenue Code of
26 1954, as now or hereafter amended, and all amounts of

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

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

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

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

26 (Q) An amount equal to any amounts included in such

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

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

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

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

22 (U) For one taxable year beginning on or after
23 January 1, 1994, an amount equal to the total amount of
24 tax imposed and paid under subsections (a) and (b) of
25 Section 201 of this Act on grant amounts received by
26 the taxpayer under the Nursing Home Grant Assistance

1 Act during the taxpayer's taxable years 1992 and 1993;

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

1 213 of the Internal Revenue Code of 1986 not actually
2 deducted on the taxpayer's federal income tax return;

3 (W) For taxable years beginning on or after January
4 1, 1998, all amounts included in the taxpayer's federal
5 gross income in the taxable year from amounts converted
6 from a regular IRA to a Roth IRA. This paragraph is
7 exempt from the provisions of Section 250;

8 (X) For taxable year 1999 and thereafter, an amount
9 equal to the amount of any (i) distributions, to the
10 extent includible in gross income for federal income
11 tax purposes, made to the taxpayer because of his or
12 her status as a victim of persecution for racial or
13 religious reasons by Nazi Germany or any other Axis
14 regime or as an heir of the victim and (ii) items of
15 income, to the extent includible in gross income for
16 federal income tax purposes, attributable to, derived
17 from or in any way related to assets stolen from,
18 hidden from, or otherwise lost to a victim of
19 persecution for racial or religious reasons by Nazi
20 Germany or any other Axis regime immediately prior to,
21 during, and immediately after World War II, including,
22 but not limited to, interest on the proceeds receivable
23 as insurance under policies issued to a victim of
24 persecution for racial or religious reasons by Nazi
25 Germany or any other Axis regime by European insurance
26 companies immediately prior to and during World War II;

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

15 (Y) For taxable years beginning on or after January
16 1, 2002 and ending on or before December 31, 2004,
17 moneys contributed in the taxable year to a College
18 Savings Pool account under Section 16.5 of the State
19 Treasurer Act, except that amounts excluded from gross
20 income under Section 529(c)(3)(C)(i) of the Internal
21 Revenue Code shall not be considered moneys
22 contributed under this subparagraph (Y). For taxable
23 years beginning on or after January 1, 2005, a maximum
24 of \$10,000 contributed in the taxable year to (i) a
25 College Savings Pool account under Section 16.5 of the
26 State Treasurer Act or (ii) the Illinois Prepaid

1 Tuition Trust Fund, except that amounts excluded from
2 gross income under Section 529(c)(3)(C)(i) of the
3 Internal Revenue Code shall not be considered moneys
4 contributed under this subparagraph (Y). For purposes
5 of this subparagraph, contributions made by an
6 employer on behalf of an employee, or matching
7 contributions made by an employee, shall be treated as
8 made by the employee. This subparagraph (Y) is exempt
9 from the provisions of Section 250;

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

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

23 (2) for taxable years ending on or before
24 December 31, 2005, "x" equals "y" multiplied by 30
25 and then divided by 70 (or "y" multiplied by
26 0.429); and

1 (3) for taxable years ending after December
2 31, 2005:

3 (i) for property on which a bonus
4 depreciation deduction of 30% of the adjusted
5 basis was taken, "x" equals "y" multiplied by
6 30 and then divided by 70 (or "y" multiplied by
7 0.429); and

8 (ii) for property on which a bonus
9 depreciation deduction of 50% of the adjusted
10 basis was taken, "x" equals "y" multiplied by
11 1.0.

12 The aggregate amount deducted under this
13 subparagraph in all taxable years for any one piece of
14 property may not exceed the amount of the bonus
15 depreciation deduction taken on that property on the
16 taxpayer's federal income tax return under subsection
17 (k) of Section 168 of the Internal Revenue Code. This
18 subparagraph (Z) is exempt from the provisions of
19 Section 250;

20 (AA) If the taxpayer sells, transfers, abandons,
21 or otherwise disposes of property for which the
22 taxpayer was required in any taxable year to make an
23 addition modification under subparagraph (D-15), then
24 an amount equal to that addition modification.

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for
2 federal income tax purposes and for which the taxpayer
3 was required in any taxable year to make an addition
4 modification under subparagraph (D-15), then an amount
5 equal to that addition modification.

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

9 This subparagraph (AA) is exempt from the
10 provisions of Section 250;

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

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

1 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
2 203(d)(2)(D-8), but not to exceed the amount of that
3 addition modification. This subparagraph (CC) is
4 exempt from the provisions of Section 250;

5 (DD) An amount equal to the interest income taken
6 into account for the taxable year (net of the
7 deductions allocable thereto) with respect to
8 transactions with (i) a foreign person who would be a
9 member of the taxpayer's unitary business group but for
10 the fact that the foreign person's business activity
11 outside the United States is 80% or more of that
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304, but not to exceed the
20 addition modification required to be made for the same
21 taxable year under Section 203(a)(2)(D-17) for
22 interest paid, accrued, or incurred, directly or
23 indirectly, to the same person. This subparagraph (DD)
24 is exempt from the provisions of Section 250; and

25 (E) An amount equal to the income from intangible
26 property taken into account for the taxable year (net

1 of the deductions allocable thereto) with respect to
2 transactions with (i) a foreign person who would be a
3 member of the taxpayer's unitary business group but for
4 the fact that the foreign person's business activity
5 outside the United States is 80% or more of that
6 person's total business activity and (ii) for taxable
7 years ending on or after December 31, 2008, to a person
8 who would be a member of the same unitary business
9 group but for the fact that the person is prohibited
10 under Section 1501(a)(27) from being included in the
11 unitary business group because he or she is ordinarily
12 required to apportion business income under different
13 subsections of Section 304, but not to exceed the
14 addition modification required to be made for the same
15 taxable year under Section 203(a)(2)(D-18) for
16 intangible expenses and costs paid, accrued, or
17 incurred, directly or indirectly, to the same foreign
18 person. This subparagraph (EE) is exempt from the
19 provisions of Section 250.

20 (b) Corporations.

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

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

1 of the following amounts:

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

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

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

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

24 (E) For taxable years in which a net operating loss
25 carryback or carryforward from a taxable year ending
26 prior to December 31, 1986 is an element of taxable

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

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

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

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

1 subparagraph (E) for each such taxable year;

2 (E-5) For taxable years ending after December 31,
3 1997, an amount equal to any eligible remediation costs
4 that the corporation deducted in computing adjusted
5 gross income and for which the corporation claims a
6 credit under subsection (l) of Section 201;

7 (E-10) For taxable years 2001 and thereafter, an
8 amount equal to the bonus depreciation deduction taken
9 on the taxpayer's federal income tax return for the
10 taxable year under subsection (k) of Section 168 of the
11 Internal Revenue Code;

12 (E-11) If the taxpayer sells, transfers, abandons,
13 or otherwise disposes of property for which the
14 taxpayer was required in any taxable year to make an
15 addition modification under subparagraph (E-10), then
16 an amount equal to the aggregate amount of the
17 deductions taken in all taxable years under
18 subparagraph (T) with respect to that property.

19 If the taxpayer continues to own property through
20 the last day of the last tax year for which the
21 taxpayer may claim a depreciation deduction for
22 federal income tax purposes and for which the taxpayer
23 was allowed in any taxable year to make a subtraction
24 modification under subparagraph (T), then an amount
25 equal to that subtraction modification.

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with
2 respect to any one piece of property;

3 (E-12) An amount equal to the amount otherwise
4 allowed as a deduction in computing base income for
5 interest paid, accrued, or incurred, directly or
6 indirectly, (i) for taxable years ending on or after
7 December 31, 2004, to a foreign person who would be a
8 member of the same unitary business group but for the
9 fact the foreign person's business activity outside
10 the United States is 80% or more of the foreign
11 person's total business activity and (ii) for taxable
12 years ending on or after December 31, 2008, to a person
13 who would be a member of the same unitary business
14 group but for the fact that the person is prohibited
15 under Section 1501(a)(27) from being included in the
16 unitary business group because he or she is ordinarily
17 required to apportion business income under different
18 subsections of Section 304. The addition modification
19 required by this subparagraph shall be reduced to the
20 extent that dividends were included in base income of
21 the unitary group for the same taxable year and
22 received by the taxpayer or by a member of the
23 taxpayer's unitary business group (including amounts
24 included in gross income pursuant to Sections 951
25 through 964 of the Internal Revenue Code and amounts
26 included in gross income under Section 78 of the

1 Internal Revenue Code) with respect to the stock of the
2 same person to whom the interest was paid, accrued, or
3 incurred.

4 This paragraph shall not apply to the following:

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

11 (ii) an item of interest paid, accrued, or
12 incurred, directly or indirectly, to a person if
13 the taxpayer can establish, based on a
14 preponderance of the evidence, both of the
15 following:

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

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

26 (iii) the taxpayer can establish, based on

1 clear and convincing evidence, that the interest
2 paid, accrued, or incurred relates to a contract or
3 agreement entered into at arm's-length rates and
4 terms and the principal purpose for the payment is
5 not federal or Illinois tax avoidance; or

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

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

22 (E-13) An amount equal to the amount of intangible
23 expenses and costs otherwise allowed as a deduction in
24 computing base income, and that were paid, accrued, or
25 incurred, directly or indirectly, (i) for taxable
26 years ending on or after December 31, 2004, to a

1 foreign person who would be a member of the same
2 unitary business group but for the fact that the
3 foreign person's business activity outside the United
4 States is 80% or more of that person's total business
5 activity and (ii) for taxable years ending on or after
6 December 31, 2008, to a person who would be a member of
7 the same unitary business group but for the fact that
8 the person is prohibited under Section 1501(a)(27)
9 from being included in the unitary business group
10 because he or she is ordinarily required to apportion
11 business income under different subsections of Section
12 304. The addition modification required by this
13 subparagraph shall be reduced to the extent that
14 dividends were included in base income of the unitary
15 group for the same taxable year and received by the
16 taxpayer or by a member of the taxpayer's unitary
17 business group (including amounts included in gross
18 income pursuant to Sections 951 through 964 of the
19 Internal Revenue Code and amounts included in gross
20 income under Section 78 of the Internal Revenue Code)
21 with respect to the stock of the same person to whom
22 the intangible expenses and costs were directly or
23 indirectly paid, incurred, or accrued. The preceding
24 sentence shall not apply to the extent that the same
25 dividends caused a reduction to the addition
26 modification required under Section 203(b)(2)(E-12) of

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

15 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

21 Nothing in this subsection shall preclude the
22 Director from making any other adjustment
23 otherwise allowed under Section 404 of this Act for
24 any tax year beginning after the effective date of
25 this amendment provided such adjustment is made
26 pursuant to regulation adopted by the Department

1 and such regulations provide methods and standards
2 by which the Department will utilize its authority
3 under Section 404 of this Act;

4 (E-14) For taxable years ending on or after
5 December 31, 2008, an amount equal to the amount of
6 insurance premium expenses and costs otherwise allowed
7 as a deduction in computing base income, and that were
8 paid, accrued, or incurred, directly or indirectly, to
9 a person who would be a member of the same unitary
10 business group but for the fact that the person is
11 prohibited under Section 1501(a)(27) from being
12 included in the unitary business group because he or
13 she is ordinarily required to apportion business
14 income under different subsections of Section 304. The
15 addition modification required by this subparagraph
16 shall be reduced to the extent that dividends were
17 included in base income of the unitary group for the
18 same taxable year and received by the taxpayer or by a
19 member of the taxpayer's unitary business group
20 (including amounts included in gross income under
21 Sections 951 through 964 of the Internal Revenue Code
22 and amounts included in gross income under Section 78
23 of the Internal Revenue Code) with respect to the stock
24 of the same person to whom the premiums and costs were
25 directly or indirectly paid, incurred, or accrued. The
26 preceding sentence does not apply to the extent that

1 the same dividends caused a reduction to the addition
2 modification required under Section 203(b) (2) (E-12) or
3 Section 203(b) (2) (E-13) of this Act;

4 (E-15) For taxable years beginning after December
5 31, 2008, any deduction for dividends paid by a captive
6 real estate investment trust that is allowed to a real
7 estate investment trust under Section 857(b) (2) (B) of
8 the Internal Revenue Code for dividends paid;

9 (E-16) An amount equal to the credit allowable to
10 the taxpayer under Section 218(a) of this Act,
11 determined without regard to Section 218(c) of this
12 Act;

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

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

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

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

25 (I) With the exception of any amounts subtracted
26 under subparagraph (J), an amount equal to the sum of

1 all amounts disallowed as deductions by (i) Sections
2 171(a) (2), and 265(a)(2) and amounts disallowed as
3 interest expense by Section 291(a)(3) of the Internal
4 Revenue Code, as now or hereafter amended, and all
5 amounts of expenses allocable to interest and
6 disallowed as deductions by Section 265(a)(1) of the
7 Internal Revenue Code, as now or hereafter amended; and
8 (ii) for taxable years ending on or after August 13,
9 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and
10 832(b)(5)(B)(i) of the Internal Revenue Code; the
11 provisions of this subparagraph are exempt from the
12 provisions of Section 250;

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

22 (K) An amount equal to those dividends included in
23 such total which were paid by a corporation which
24 conducts business operations in an Enterprise Zone or
25 zones created under the Illinois Enterprise Zone Act or
26 a River Edge Redevelopment Zone or zones created under

1 the River Edge Redevelopment Zone Act and conducts
2 substantially all of its operations in an Enterprise
3 Zone or zones or a River Edge Redevelopment Zone or
4 zones. This subparagraph (K) is exempt from the
5 provisions of Section 250;

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

15 (M) For any taxpayer that is a financial
16 organization within the meaning of Section 304(c) of
17 this Act, an amount included in such total as interest
18 income from a loan or loans made by such taxpayer to a
19 borrower, to the extent that such a loan is secured by
20 property which is eligible for the Enterprise Zone
21 Investment Credit or the River Edge Redevelopment Zone
22 Investment Credit. To determine the portion of a loan
23 or loans that is secured by property eligible for a
24 Section 201(f) investment credit to the borrower, the
25 entire principal amount of the loan or loans between
26 the taxpayer and the borrower should be divided into

1 the basis of the Section 201(f) investment credit
2 property which secures the loan or loans, using for
3 this purpose the original basis of such property on the
4 date that it was placed in service in the Enterprise
5 Zone or the River Edge Redevelopment Zone. The
6 subtraction modification available to taxpayer in any
7 year under this subsection shall be that portion of the
8 total interest paid by the borrower with respect to
9 such loan attributable to the eligible property as
10 calculated under the previous sentence. This
11 subparagraph (M) is exempt from the provisions of
12 Section 250;

13 (M-1) 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 High Impact Business
19 Investment Credit. To determine the portion of a loan
20 or loans that is secured by property eligible for a
21 Section 201(h) 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(h) investment credit
25 property which secures the loan or loans, using for
26 this purpose the original basis of such property on the

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

12 (N) Two times any contribution made during the
13 taxable year to a designated zone organization to the
14 extent that the contribution (i) qualifies as a
15 charitable contribution under subsection (c) of
16 Section 170 of the Internal Revenue Code and (ii) must,
17 by its terms, be used for a project approved by the
18 Department of Commerce and Economic Opportunity under
19 Section 11 of the Illinois Enterprise Zone Act or under
20 Section 10-10 of the River Edge Redevelopment Zone Act.
21 This subparagraph (N) is exempt from the provisions of
22 Section 250;

23 (O) An amount equal to: (i) 85% for taxable years
24 ending on or before December 31, 1992, or, a percentage
25 equal to the percentage allowable under Section
26 243(a)(1) of the Internal Revenue Code of 1986 for

1 taxable years ending after December 31, 1992, of the
2 amount by which dividends included in taxable income
3 and received from a corporation that is not created or
4 organized under the laws of the United States or any
5 state or political subdivision thereof, including, for
6 taxable years ending on or after December 31, 1988,
7 dividends received or deemed received or paid or deemed
8 paid under Sections 951 through 964 of the Internal
9 Revenue Code, exceed the amount of the modification
10 provided under subparagraph (G) of paragraph (2) of
11 this subsection (b) which is related to such dividends,
12 and including, for taxable years ending on or after
13 December 31, 2008, dividends received from a captive
14 real estate investment trust; plus (ii) 100% of the
15 amount by which dividends, included in taxable income
16 and received, including, for taxable years ending on or
17 after December 31, 1988, dividends received or deemed
18 received or paid or deemed paid under Sections 951
19 through 964 of the Internal Revenue Code and including,
20 for taxable years ending on or after December 31, 2008,
21 dividends received from a captive real estate
22 investment trust, from any such corporation specified
23 in clause (i) that would but for the provisions of
24 Section 1504 (b) (3) of the Internal Revenue Code be
25 treated as a member of the affiliated group which
26 includes the dividend recipient, exceed the amount of

1 the modification provided under subparagraph (G) of
2 paragraph (2) of this subsection (b) which is related
3 to such dividends. This subparagraph (O) is exempt from
4 the provisions of Section 250 of this Act;

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

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

13 (R) On and after July 20, 1999, in the case of an
14 attorney-in-fact with respect to whom an interinsurer
15 or a reciprocal insurer has made the election under
16 Section 835 of the Internal Revenue Code, 26 U.S.C.
17 835, an amount equal to the excess, if any, of the
18 amounts paid or incurred by that interinsurer or
19 reciprocal insurer in the taxable year to the
20 attorney-in-fact over the deduction allowed to that
21 interinsurer or reciprocal insurer with respect to the
22 attorney-in-fact under Section 835(b) of the Internal
23 Revenue Code for the taxable year; the provisions of
24 this subparagraph are exempt from the provisions of
25 Section 250;

26 (S) For taxable years ending on or after December

1 31, 1997, in the case of a Subchapter S corporation, an
2 amount equal to all amounts of income allocable to a
3 shareholder subject to the Personal Property Tax
4 Replacement Income Tax imposed by subsections (c) and
5 (d) of Section 201 of this Act, including amounts
6 allocable to organizations exempt from federal income
7 tax by reason of Section 501(a) of the Internal Revenue
8 Code. This subparagraph (S) is exempt from the
9 provisions of Section 250;

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

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

23 (2) for taxable years ending on or before
24 December 31, 2005, "x" equals "y" multiplied by 30
25 and then divided by 70 (or "y" multiplied by
26 0.429); and

1 (3) for taxable years ending after December
2 31, 2005:

3 (i) for property on which a bonus
4 depreciation deduction of 30% of the adjusted
5 basis was taken, "x" equals "y" multiplied by
6 30 and then divided by 70 (or "y" multiplied by
7 0.429); and

8 (ii) for property on which a bonus
9 depreciation deduction of 50% of the adjusted
10 basis was taken, "x" equals "y" multiplied by
11 1.0.

12 The aggregate amount deducted under this
13 subparagraph in all taxable years for any one piece of
14 property may not exceed the amount of the bonus
15 depreciation deduction taken on that property on the
16 taxpayer's federal income tax return under subsection
17 (k) of Section 168 of the Internal Revenue Code. This
18 subparagraph (T) is exempt from the provisions of
19 Section 250;

20 (U) If the taxpayer sells, transfers, abandons, or
21 otherwise disposes of property for which the taxpayer
22 was required in any taxable year to make an addition
23 modification under subparagraph (E-10), then an amount
24 equal to that addition modification.

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for
2 federal income tax purposes and for which the taxpayer
3 was required in any taxable year to make an addition
4 modification under subparagraph (E-10), then an amount
5 equal to that addition modification.

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

9 This subparagraph (U) is exempt from the
10 provisions of Section 250;

11 (V) 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-12),
17 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
18 the amount of such addition modification, (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-13), 203(c)(2)(G-13), or
25 203(d)(2)(D-8), but not to exceed the amount of such
26 addition modification, and (iii) any insurance premium

1 income (net of deductions allocable thereto) taken
2 into account for the taxable year with respect to a
3 transaction with a taxpayer that is required to make an
4 addition modification with respect to such transaction
5 under Section 203(a)(2)(D-19), Section
6 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
7 203(d)(2)(D-9), but not to exceed the amount of that
8 addition modification. This subparagraph (V) is exempt
9 from the provisions of Section 250;

10 (W) An amount equal to the interest income taken
11 into account for the taxable year (net of the
12 deductions allocable thereto) with respect to
13 transactions with (i) a foreign person who would be a
14 member of the taxpayer's unitary business group but for
15 the fact that the foreign person's business activity
16 outside the United States is 80% or more of that
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304, but not to exceed the
25 addition modification required to be made for the same
26 taxable year under Section 203(b)(2)(E-12) for

1 interest paid, accrued, or incurred, directly or
2 indirectly, to the same person. This subparagraph (W)
3 is exempt from the provisions of Section 250; 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 (i) 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 and (ii) for taxable
12 years ending on or after December 31, 2008, to a person
13 who would be a member of the same unitary business
14 group but for the fact that the person is prohibited
15 under Section 1501(a)(27) from being included in the
16 unitary business group because he or she is ordinarily
17 required to apportion business income under different
18 subsections of Section 304, but not to exceed the
19 addition modification required to be made for the same
20 taxable year under Section 203(b)(2)(E-13) for
21 intangible expenses and costs paid, accrued, or
22 incurred, directly or indirectly, to the same foreign
23 person. This subparagraph (X) is exempt from the
24 provisions of Section 250.

25 (3) Special rule. For purposes of paragraph (2) (A),
26 "gross income" in the case of a life insurance company, for

1 tax years ending on and after December 31, 1994, shall mean
2 the gross investment income for the taxable year.

3 (c) Trusts and estates.

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

7 (2) Modifications. Subject to the provisions of
8 paragraph (3), the taxable income referred to in paragraph
9 (1) shall be modified by adding thereto the sum of the
10 following amounts:

11 (A) An amount equal to all amounts paid or accrued
12 to the taxpayer as interest or dividends during the
13 taxable year to the extent excluded from gross income
14 in the computation of taxable income;

15 (B) In the case of (i) an estate, \$600; (ii) a
16 trust which, under its governing instrument, is
17 required to distribute all of its income currently,
18 \$300; and (iii) any other trust, \$100, but in each such
19 case, only to the extent such amount was deducted in
20 the computation of taxable income;

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

24 (D) The amount of any net operating loss deduction
25 taken in arriving at taxable income, other than a net

1 operating loss carried forward from a taxable year
2 ending prior to December 31, 1986;

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

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

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

26 For taxable years in which there is a net operating

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

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

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

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

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

1 (G-11) If the taxpayer sells, transfers, abandons,
2 or otherwise disposes of property for which the
3 taxpayer was required in any taxable year to make an
4 addition modification under subparagraph (G-10), then
5 an amount equal to the aggregate amount of the
6 deductions taken in all taxable years under
7 subparagraph (R) with respect to that property.

8 If the taxpayer continues to own property through
9 the last day of the last tax year for which the
10 taxpayer may claim a depreciation deduction for
11 federal income tax purposes and for which the taxpayer
12 was allowed in any taxable year to make a subtraction
13 modification under subparagraph (R), then an amount
14 equal to that subtraction modification.

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

18 (G-12) An amount equal to the amount otherwise
19 allowed as a deduction in computing base income for
20 interest paid, accrued, or incurred, directly or
21 indirectly, (i) for taxable years ending on or after
22 December 31, 2004, to a foreign person who would be a
23 member of the same unitary business group but for the
24 fact that the foreign person's business activity
25 outside the United States is 80% or more of the foreign
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304. The addition modification
8 required by this subparagraph shall be reduced to the
9 extent that dividends were included in base income of
10 the unitary group for the same taxable year and
11 received by the taxpayer or by a member of the
12 taxpayer's unitary business group (including amounts
13 included in gross income pursuant to Sections 951
14 through 964 of the Internal Revenue Code and amounts
15 included in gross income under Section 78 of the
16 Internal Revenue Code) with respect to the stock of the
17 same person to whom the interest was paid, accrued, or
18 incurred.

19 This paragraph shall not apply to the following:

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

26 (ii) an item of interest paid, accrued, or

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

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

8 (b) the transaction giving rise to the
9 interest expense between the taxpayer and the
10 person did not have as a principal purpose the
11 avoidance of Illinois income tax, and is paid
12 pursuant to a contract or agreement that
13 reflects an arm's-length interest rate and
14 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 person if
23 the taxpayer establishes by clear and convincing
24 evidence that the adjustments are unreasonable; or
25 if the taxpayer and the Director agree in writing
26 to the application or use of an alternative method

1 of apportionment under Section 304(f).

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

11 (G-13) An amount equal to the amount of intangible
12 expenses and costs otherwise allowed as a deduction in
13 computing base income, and that were paid, accrued, or
14 incurred, directly or indirectly, (i) for taxable
15 years ending on or after December 31, 2004, to a
16 foreign person who would be a member of the same
17 unitary business group but for the fact that the
18 foreign person's business activity outside the United
19 States is 80% or more of that person's total business
20 activity and (ii) for taxable years ending on or after
21 December 31, 2008, to a person who would be a member of
22 the same unitary business group but for the fact that
23 the person is prohibited under Section 1501(a)(27)
24 from being included in the unitary business group
25 because he or she is ordinarily required to apportion
26 business income under different subsections of Section

1 304. The addition modification required by this
2 subparagraph shall be reduced to the extent that
3 dividends were included in base income of the unitary
4 group for the same taxable year and received by the
5 taxpayer or by a member of the taxpayer's unitary
6 business group (including amounts included in gross
7 income pursuant to Sections 951 through 964 of the
8 Internal Revenue Code and amounts included in gross
9 income under Section 78 of the Internal Revenue Code)
10 with respect to the stock of the same person to whom
11 the intangible expenses and costs were directly or
12 indirectly paid, incurred, or accrued. The preceding
13 sentence shall not apply to the extent that the same
14 dividends caused a reduction to the addition
15 modification required under Section 203(c)(2)(G-12) of
16 this Act. As used in this subparagraph, the term
17 "intangible expenses and costs" includes: (1)
18 expenses, losses, and costs for or related to the
19 direct or indirect acquisition, use, maintenance or
20 management, ownership, sale, exchange, or any other
21 disposition of intangible property; (2) losses
22 incurred, directly or indirectly, from factoring
23 transactions or discounting transactions; (3) royalty,
24 patent, technical, and copyright fees; (4) licensing
25 fees; and (5) other similar expenses and costs. For
26 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 person who is
8 subject in a foreign country or state, other than a
9 state which requires mandatory unitary reporting,
10 to a tax on or measured by net income with respect
11 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 person during the same taxable
18 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 person did not have as a
24 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;

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 person if the
5 taxpayer establishes by clear and convincing
6 evidence, that the adjustments are unreasonable;
7 or if the taxpayer and the Director agree in
8 writing to the application or use of an alternative
9 method of apportionment under Section 304(f);

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

19 (G-14) For taxable years ending on or after
20 December 31, 2008, an amount equal to the amount of
21 insurance premium expenses and costs otherwise allowed
22 as a deduction in computing base income, and that were
23 paid, accrued, or incurred, directly or indirectly, to
24 a person who would be a member of the same unitary
25 business group but for the fact that the person is
26 prohibited under Section 1501(a)(27) from being

1 included in the unitary business group because he or
2 she is ordinarily required to apportion business
3 income under different subsections of Section 304. The
4 addition modification required by this subparagraph
5 shall be reduced to the extent that dividends were
6 included in base income of the unitary group for the
7 same taxable year and received by the taxpayer or by a
8 member of the taxpayer's unitary business group
9 (including amounts included in gross income under
10 Sections 951 through 964 of the Internal Revenue Code
11 and amounts included in gross income under Section 78
12 of the Internal Revenue Code) with respect to the stock
13 of the same person to whom the premiums and costs were
14 directly or indirectly paid, incurred, or accrued. The
15 preceding sentence does not apply to the extent that
16 the same dividends caused a reduction to the addition
17 modification required under Section 203(c)(2)(G-12) or
18 Section 203(c)(2)(G-13) of this Act~~;~~

19 (G-15) An amount equal to the credit allowable to
20 the taxpayer under Section 218(a) of this Act,
21 determined without regard to Section 218(c) of this
22 Act~~;~~

23 and by deducting from the total so obtained the sum of the
24 following amounts:

25 (H) An amount equal to all amounts included in such
26 total pursuant to the provisions of Sections 402(a),

1 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
2 Internal Revenue Code or included in such total as
3 distributions under the provisions of any retirement
4 or disability plan for employees of any governmental
5 agency or unit, or retirement payments to retired
6 partners, which payments are excluded in computing net
7 earnings from self employment by Section 1402 of the
8 Internal Revenue Code and regulations adopted pursuant
9 thereto;

10 (I) The valuation limitation amount;

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

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

25 (L) With the exception of any amounts subtracted
26 under subparagraph (K), an amount equal to the sum of

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

12 (M) An amount equal to those dividends included in
13 such total which were paid by a corporation which
14 conducts business operations in an Enterprise Zone or
15 zones created under the Illinois Enterprise Zone Act or
16 a River Edge Redevelopment Zone or zones created under
17 the River Edge Redevelopment Zone Act and conducts
18 substantially all of its operations in an Enterprise
19 Zone or Zones or a River Edge Redevelopment Zone or
20 zones. This subparagraph (M) is exempt from the
21 provisions of Section 250;

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

25 (O) An amount equal to those dividends included in
26 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 (M) of paragraph (2) of this subsection
6 shall not be eligible for the deduction provided under
7 this subparagraph (O);

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

13 (Q) For taxable year 1999 and thereafter, an amount
14 equal to the amount of any (i) distributions, to the
15 extent includible in gross income for federal income
16 tax purposes, made to the taxpayer because of his or
17 her status as a victim of persecution for racial or
18 religious reasons by Nazi Germany or any other Axis
19 regime or as an heir of the victim and (ii) items of
20 income, to the extent includible in gross income for
21 federal income tax purposes, attributable to, derived
22 from or in any way related to assets stolen from,
23 hidden from, or otherwise lost to a victim of
24 persecution for racial or religious reasons by Nazi
25 Germany or any other Axis regime immediately prior to,
26 during, and immediately after World War II, including,

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

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

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

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

7 (2) for taxable years ending on or before
8 December 31, 2005, "x" equals "y" multiplied by 30
9 and then divided by 70 (or "y" multiplied by
10 0.429); and

11 (3) for taxable years ending after December
12 31, 2005:

13 (i) for property on which a bonus
14 depreciation deduction of 30% of the adjusted
15 basis was taken, "x" equals "y" multiplied by
16 30 and then divided by 70 (or "y" multiplied by
17 0.429); and

18 (ii) for property on which a bonus
19 depreciation deduction of 50% of the adjusted
20 basis was taken, "x" equals "y" multiplied by
21 1.0.

22 The aggregate amount deducted under this
23 subparagraph in all taxable years for any one piece of
24 property may not exceed the amount of the bonus
25 depreciation deduction taken on that property on the
26 taxpayer's federal income tax return under subsection

1 (k) of Section 168 of the Internal Revenue Code. This
2 subparagraph (R) is exempt from the provisions of
3 Section 250;

4 (S) If the taxpayer sells, transfers, abandons, or
5 otherwise disposes of property for which the taxpayer
6 was required in any taxable year to make an addition
7 modification under subparagraph (G-10), then an amount
8 equal to that addition modification.

9 If the taxpayer continues to own property through
10 the last day of the last tax year for which the
11 taxpayer may claim a depreciation deduction for
12 federal income tax purposes and for which the taxpayer
13 was required in any taxable year to make an addition
14 modification under subparagraph (G-10), then an amount
15 equal to that addition modification.

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

19 This subparagraph (S) is exempt from the
20 provisions of Section 250;

21 (T) The amount of (i) any interest income (net of
22 the deductions allocable thereto) taken into account
23 for the taxable year with respect to a transaction with
24 a taxpayer that is required to make an addition
25 modification with respect to such transaction under
26 Section 203(a)(2)(D-17), 203(b)(2)(E-12),

1 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
2 the amount of such addition modification and (ii) any
3 income from intangible property (net of the deductions
4 allocable thereto) taken into account for the taxable
5 year with respect to a transaction with a taxpayer that
6 is required to make an addition modification with
7 respect to such transaction under Section
8 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
9 203(d)(2)(D-8), but not to exceed the amount of such
10 addition modification. This subparagraph (T) is exempt
11 from the provisions of Section 250;

12 (U) An amount equal to the interest income taken
13 into account for the taxable year (net of the
14 deductions allocable thereto) with respect to
15 transactions with (i) a foreign person who would be a
16 member of the taxpayer's unitary business group but for
17 the fact the foreign person's business activity
18 outside the United States is 80% or more of that
19 person's total business activity and (ii) for taxable
20 years ending on or after December 31, 2008, to a person
21 who would be a member of the same unitary business
22 group but for the fact that the person is prohibited
23 under Section 1501(a)(27) from being included in the
24 unitary business group because he or she is ordinarily
25 required to apportion business income under different
26 subsections of Section 304, but not to exceed the

1 addition modification required to be made for the same
2 taxable year under Section 203(c)(2)(G-12) for
3 interest paid, accrued, or incurred, directly or
4 indirectly, to the same person. This subparagraph (U)
5 is exempt from the provisions of Section 250; and

6 (V) An amount equal to the income from intangible
7 property taken into account for the taxable year (net
8 of the deductions allocable thereto) with respect to
9 transactions with (i) a foreign person who would be a
10 member of the taxpayer's unitary business group but for
11 the fact that the foreign person's business activity
12 outside the United States is 80% or more of that
13 person's total business activity and (ii) for taxable
14 years ending on or after December 31, 2008, to a person
15 who would be a member of the same unitary business
16 group but for the fact that the person is prohibited
17 under Section 1501(a)(27) from being included in the
18 unitary business group because he or she is ordinarily
19 required to apportion business income under different
20 subsections of Section 304, but not to exceed the
21 addition modification required to be made for the same
22 taxable year under Section 203(c)(2)(G-13) for
23 intangible expenses and costs paid, accrued, or
24 incurred, directly or indirectly, to the same foreign
25 person. This subparagraph (V) is exempt from the
26 provisions of Section 250.

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

8 (d) Partnerships.

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

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

15 (A) An amount equal to all amounts paid or accrued
16 to the taxpayer as interest or dividends during the
17 taxable year to the extent excluded from gross income
18 in the computation of taxable income;

19 (B) An amount equal to the amount of tax imposed by
20 this Act to the extent deducted from gross income for
21 the taxable year;

22 (C) The amount of deductions allowed to the
23 partnership pursuant to Section 707 (c) of the Internal
24 Revenue Code in calculating its taxable income;
25 ~~provided that no addition shall be required under this~~

1 ~~subparagraph (C) for taxable years ending on or after~~
2 ~~December 31, 2009, for deductions allowed for~~
3 ~~guaranteed payments to an individual partner for~~
4 ~~personal services by that partner;~~

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

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

14 (D-6) If the taxpayer sells, transfers, abandons,
15 or otherwise disposes of property for which the
16 taxpayer was required in any taxable year to make an
17 addition modification under subparagraph (D-5), then
18 an amount equal to the aggregate amount of the
19 deductions taken in all taxable years under
20 subparagraph (O) with respect to that property.

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which the
23 taxpayer may claim a depreciation deduction for
24 federal income tax purposes and for which the taxpayer
25 was allowed in any taxable year to make a subtraction
26 modification under subparagraph (O), then an amount

1 equal to that subtraction modification.

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

5 (D-7) An amount equal to the amount otherwise
6 allowed as a deduction in computing base income for
7 interest paid, accrued, or incurred, directly or
8 indirectly, (i) for taxable years ending on or after
9 December 31, 2004, to a foreign person who would be a
10 member of the same unitary business group but for the
11 fact the foreign person's business activity outside
12 the United States is 80% or more of the foreign
13 person's total business activity and (ii) for taxable
14 years ending on or after December 31, 2008, to a person
15 who would be a member of the same unitary business
16 group but for the fact that the person is prohibited
17 under Section 1501(a)(27) from being included in the
18 unitary business group because he or she is ordinarily
19 required to apportion business income under different
20 subsections of Section 304. The addition modification
21 required by this subparagraph shall be reduced to the
22 extent that dividends were included in base income of
23 the unitary group for the same taxable year and
24 received by the taxpayer or by a member of the
25 taxpayer's unitary business group (including amounts
26 included in gross income pursuant to Sections 951

1 through 964 of the Internal Revenue Code and amounts
2 included in gross income under Section 78 of the
3 Internal Revenue Code) with respect to the stock of the
4 same person to whom the interest was paid, accrued, or
5 incurred.

6 This paragraph shall not apply to the following:

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

13 (ii) an item of interest paid, accrued, or
14 incurred, directly or indirectly, to a person if
15 the taxpayer can establish, based on a
16 preponderance of the evidence, both of the
17 following:

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

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

1 terms; or

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

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

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

24 (D-8) An amount equal to the amount of intangible
25 expenses and costs otherwise allowed as a deduction in
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable
2 years ending on or after December 31, 2004, to a
3 foreign person who would be a member of the same
4 unitary business group but for the fact that the
5 foreign person's business activity outside the United
6 States is 80% or more of that person's total business
7 activity and (ii) for taxable years ending on or after
8 December 31, 2008, to a person who would be a member of
9 the same unitary business group but for the fact that
10 the person is prohibited under Section 1501(a)(27)
11 from being included in the unitary business group
12 because he or she is ordinarily required to apportion
13 business income under different subsections of Section
14 304. The addition modification required by this
15 subparagraph shall be reduced to the extent that
16 dividends were included in base income of the unitary
17 group for the same taxable year and received by the
18 taxpayer or by a member of the taxpayer's unitary
19 business group (including amounts included in gross
20 income pursuant to Sections 951 through 964 of the
21 Internal Revenue Code and amounts included in gross
22 income under Section 78 of the Internal Revenue Code)
23 with respect to the stock of the same person to whom
24 the intangible expenses and costs were directly or
25 indirectly paid, incurred or accrued. The preceding
26 sentence shall not apply to the extent that the same

1 dividends caused a reduction to the addition
2 modification required under Section 203(d)(2)(D-7) of
3 this Act. As used in this subparagraph, the term
4 "intangible expenses and costs" includes (1) expenses,
5 losses, and costs for, or related to, the direct or
6 indirect acquisition, use, maintenance or management,
7 ownership, sale, exchange, or any other disposition of
8 intangible property; (2) losses incurred, directly or
9 indirectly, from factoring transactions or discounting
10 transactions; (3) royalty, patent, technical, and
11 copyright fees; (4) licensing fees; and (5) other
12 similar expenses and costs. For purposes of this
13 subparagraph, "intangible property" includes patents,
14 patent applications, trade names, trademarks, service
15 marks, copyrights, mask works, trade secrets, and
16 similar types of intangible assets;

17 This paragraph shall not apply to the following:

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

25 (ii) any item of intangible expense or cost
26 paid, accrued, or incurred, directly or

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

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

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

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

23 Nothing in this subsection shall preclude the
24 Director from making any other adjustment
25 otherwise allowed under Section 404 of this Act for
26 any tax year beginning after the effective date of

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

6 (D-9) For taxable years ending on or after December
7 31, 2008, an amount equal to the amount of insurance
8 premium expenses and costs otherwise allowed as a
9 deduction in computing base income, and that were paid,
10 accrued, or incurred, directly or indirectly, to a
11 person who would be a member of the same unitary
12 business group but for the fact that the person is
13 prohibited under Section 1501(a)(27) from being
14 included in the unitary business group because he or
15 she is ordinarily required to apportion business
16 income under different subsections of Section 304. The
17 addition modification required by this subparagraph
18 shall be reduced to the extent that dividends were
19 included in base income of the unitary group for the
20 same taxable year and received by the taxpayer or by a
21 member of the taxpayer's unitary business group
22 (including amounts included in gross income under
23 Sections 951 through 964 of the Internal Revenue Code
24 and amounts included in gross income under Section 78
25 of the Internal Revenue Code) with respect to the stock
26 of the same person to whom the premiums and costs were

1 directly or indirectly paid, incurred, or accrued. The
2 preceding sentence does not apply to the extent that
3 the same dividends caused a reduction to the addition
4 modification required under Section 203(d)(2)(D-7) or
5 Section 203(d)(2)(D-8) of this Act;~~;~~

6 (D-10) An amount equal to the credit allowable to
7 the taxpayer under Section 218(a) of this Act,
8 determined without regard to Section 218(c) of this
9 Act;~~;~~

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

12 (E) The valuation limitation amount;

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

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

26 (H) Any ~~For taxable years ending before December~~

1 ~~31, 2009,~~ income of the partnership which constitutes
2 personal service income as defined in Section 1348 (b)
3 (1) of the Internal Revenue Code (as in effect December
4 31, 1981) or a reasonable allowance for compensation
5 paid or accrued for services rendered by partners to
6 the partnership, whichever is greater;

7 (I) An amount equal to all amounts of income
8 distributable to an entity subject to the Personal
9 Property Tax Replacement Income Tax imposed by
10 subsections (c) and (d) of Section 201 of this Act
11 including amounts distributable to organizations
12 exempt from federal income tax by reason of Section
13 501(a) of the Internal Revenue Code, provided that the
14 deduction under this subparagraph (I) shall not be
15 allowed to a publicly traded partnership under Section
16 7704 of the Internal Revenue Code for any taxable year
17 ending on or after December 31, 2009;

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

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

5 (K) An amount equal to those dividends included in
6 such total which were paid by a corporation which
7 conducts business operations in an Enterprise Zone or
8 zones created under the Illinois Enterprise Zone Act,
9 enacted by the 82nd General Assembly, or a River Edge
10 Redevelopment Zone or zones created under the River
11 Edge Redevelopment Zone Act and conducts substantially
12 all of its operations in an Enterprise Zone or Zones or
13 from a River Edge Redevelopment Zone or zones. This
14 subparagraph (K) is exempt from the provisions of
15 Section 250;

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

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

1 this subparagraph (M);

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

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

20 (2) for taxable years ending on or before
21 December 31, 2005, "x" equals "y" multiplied by 30
22 and then divided by 70 (or "y" multiplied by
23 0.429); and

24 (3) for taxable years ending after December
25 31, 2005:

26 (i) for property on which a bonus

1 depreciation deduction of 30% of the adjusted
2 basis was taken, "x" equals "y" multiplied by
3 30 and then divided by 70 (or "y" multiplied by
4 0.429); and

5 (ii) for property on which a bonus
6 depreciation deduction of 50% of the adjusted
7 basis was taken, "x" equals "y" multiplied by
8 1.0.

9 The aggregate amount deducted under this
10 subparagraph in all taxable years for any one piece of
11 property may not exceed the amount of the bonus
12 depreciation deduction taken on that property on the
13 taxpayer's federal income tax return under subsection
14 (k) of Section 168 of the Internal Revenue Code. This
15 subparagraph (O) is exempt from the provisions of
16 Section 250;

17 (P) If the taxpayer sells, transfers, abandons, or
18 otherwise disposes of property for which the taxpayer
19 was required in any taxable year to make an addition
20 modification under subparagraph (D-5), then an amount
21 equal to that addition modification.

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which the
24 taxpayer may claim a depreciation deduction for
25 federal income tax purposes and for which the taxpayer
26 was required in any taxable year to make an addition

1 modification under subparagraph (D-5), then an amount
2 equal to that addition modification.

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

6 This subparagraph (P) is exempt from the
7 provisions of Section 250;

8 (Q) The amount of (i) any interest income (net of
9 the deductions allocable thereto) taken into account
10 for the taxable year with respect to a transaction with
11 a taxpayer that is required to make an addition
12 modification with respect to such transaction under
13 Section 203(a) (2) (D-17), 203(b) (2) (E-12),
14 203(c) (2) (G-12), or 203(d) (2) (D-7), but not to exceed
15 the amount of such addition modification and (ii) any
16 income from intangible property (net of the deductions
17 allocable thereto) taken into account for the taxable
18 year with respect to a transaction with a taxpayer that
19 is required to make an addition modification with
20 respect to such transaction under Section
21 203(a) (2) (D-18), 203(b) (2) (E-13), 203(c) (2) (G-13), or
22 203(d) (2) (D-8), but not to exceed the amount of such
23 addition modification. This subparagraph (Q) is exempt
24 from Section 250;

25 (R) An amount equal to the interest income taken
26 into account for the taxable year (net of the

1 deductions allocable thereto) with respect to
2 transactions with (i) a foreign person who would be a
3 member of the taxpayer's unitary business group but for
4 the fact that the foreign person's business activity
5 outside the United States is 80% or more of that
6 person's total business activity and (ii) for taxable
7 years ending on or after December 31, 2008, to a person
8 who would be a member of the same unitary business
9 group but for the fact that the person is prohibited
10 under Section 1501(a)(27) from being included in the
11 unitary business group because he or she is ordinarily
12 required to apportion business income under different
13 subsections of Section 304, but not to exceed the
14 addition modification required to be made for the same
15 taxable year under Section 203(d)(2)(D-7) for interest
16 paid, accrued, or incurred, directly or indirectly, to
17 the same person. This subparagraph (R) is exempt from
18 Section 250; and

19 (S) An amount equal to the income from intangible
20 property taken into account for the taxable year (net
21 of the deductions allocable thereto) with respect to
22 transactions with (i) a foreign person who would be a
23 member of the taxpayer's unitary business group but for
24 the fact that the foreign person's business activity
25 outside the United States is 80% or more of that
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304, but not to exceed the
8 addition modification required to be made for the same
9 taxable year under Section 203(d)(2)(D-8) for
10 intangible expenses and costs paid, accrued, or
11 incurred, directly or indirectly, to the same person.
12 This subparagraph (S) is exempt from Section 250.

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

14 (1) In general. Subject to the provisions of paragraph
15 (2) and subsection (b) (3), for purposes of this Section
16 and Section 803(e), a taxpayer's gross income, adjusted
17 gross income, or taxable income for the taxable year shall
18 mean the amount of gross income, adjusted gross income or
19 taxable income properly reportable for federal income tax
20 purposes for the taxable year under the provisions of the
21 Internal Revenue Code. Taxable income may be less than
22 zero. However, for taxable years ending on or after
23 December 31, 1986, net operating loss carryforwards from
24 taxable years ending prior to December 31, 1986, may not
25 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

1 insurance company taxable income, plus the amount of
2 distribution from pre-1984 policyholder surplus
3 accounts as calculated under Section 815a of the
4 Internal Revenue Code;

5 (B) Certain other insurance companies. In the case
6 of mutual insurance companies subject to the tax
7 imposed by Section 831 of the Internal Revenue Code,
8 insurance company taxable income;

9 (C) Regulated investment companies. In the case of
10 a regulated investment company subject to the tax
11 imposed by Section 852 of the Internal Revenue Code,
12 investment company taxable income;

13 (D) Real estate investment trusts. In the case of a
14 real estate investment trust subject to the tax imposed
15 by Section 857 of the Internal Revenue Code, real
16 estate investment trust taxable income;

17 (E) Consolidated corporations. In the case of a
18 corporation which is a member of an affiliated group of
19 corporations filing a consolidated income tax return
20 for the taxable year for federal income tax purposes,
21 taxable income determined as if such corporation had
22 filed a separate return for federal income tax purposes
23 for the taxable year and each preceding taxable year
24 for which it was a member of an affiliated group. For
25 purposes of this subparagraph, the taxpayer's separate
26 taxable income shall be determined as if the election

1 provided by Section 243(b) (2) of the Internal Revenue
2 Code had been in effect for all such years;

3 (F) Cooperatives. In the case of a cooperative
4 corporation or association, the taxable income of such
5 organization determined in accordance with the
6 provisions of Section 1381 through 1388 of the Internal
7 Revenue Code;

8 (G) Subchapter S corporations. In the case of: (i)
9 a Subchapter S corporation for which there is in effect
10 an election for the taxable year under Section 1362 of
11 the Internal Revenue Code, the taxable income of such
12 corporation determined in accordance with Section
13 1363(b) of the Internal Revenue Code, except that
14 taxable income shall take into account those items
15 which are required by Section 1363(b)(1) of the
16 Internal Revenue Code to be separately stated; and (ii)
17 a Subchapter S corporation for which there is in effect
18 a federal election to opt out of the provisions of the
19 Subchapter S Revision Act of 1982 and have applied
20 instead the prior federal Subchapter S rules as in
21 effect on July 1, 1982, the taxable income of such
22 corporation determined in accordance with the federal
23 Subchapter S rules as in effect on July 1, 1982; and

24 (H) Partnerships. In the case of a partnership,
25 taxable income determined in accordance with Section
26 703 of the Internal Revenue Code, except that taxable

1 income shall take into account those items which are
2 required by Section 703(a)(1) to be separately stated
3 but which would be taken into account by an individual
4 in calculating his taxable income.

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

22 (f) Valuation limitation amount.

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

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

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

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

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

26 (B) If the fair market value of property referred

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

11 (C) The Department shall prescribe such
12 regulations as may be necessary to carry out the
13 purposes of this paragraph.

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

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

1 August 1, 1969 or otherwise.

2 (Source: P.A. 95-23, eff. 8-3-07; 95-233, eff. 8-16-07; 95-286,
3 eff. 8-20-07; 95-331, eff. 8-21-07; 95-707, eff. 1-11-08;
4 95-876, eff. 8-21-08; 96-45, eff. 7-15-09; 96-120, eff. 8-4-09;
5 96-198, eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff.
6 8-14-09; revised 9-25-09.)

7 Section 99. Effective date. This Act takes effect upon
8 becoming law.".