



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB0239

Introduced 01/25/11, by Rep. Darlene J. Senger

SYNOPSIS AS INTRODUCED:

15 ILCS 505/17.10 new
35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the State Treasurer Act. Authorizes the State Treasurer to establish and administer a Home Savings Pool to supplement and enhance investment opportunities otherwise available to first-time homebuyers. Provides that participants in the Pool are required to use moneys distributed from the Pool for qualified expenditures incident to the purchase of a primary residence by a first-time homebuyer. Contains penalty provisions. Sets forth the duties of the State Treasurer with respect to the Home Savings Pool. Amends the Illinois Income Tax Act. Creates a deduction for individual taxpayers equal to the amount contributed by the taxpayer to a Home Savings Pool account during the taxable year, but not to exceed \$20,000 per taxable year. Effective immediately.

LRB097 02998 HLH 43029 b

FISCAL NOTE ACT
MAY APPLY

HOUSING
AFFORDABILITY
IMPACT NOTE ACT
MAY APPLY

1 AN ACT concerning State government.

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

4 Section 5. The State Treasurer Act is amended by adding
5 Section 17.10 as follows:

6 (15 ILCS 505/17.10 new)

7 Sec. 17.10. Home Savings Pool. The State Treasurer may
8 establish and administer a Home Savings Pool to supplement and
9 enhance the investment opportunities otherwise available to
10 first-time homebuyers. The State Treasurer, in administering
11 the Home Savings Pool, may receive moneys paid into the pool by
12 a participant and may serve as the fiscal agent of that
13 participant for the purpose of holding and investing those
14 moneys.

15 "Participant", as used in this Section, means any person
16 who has authority to withdraw funds, change the designated
17 beneficiary, or otherwise exercise control over an account.

18 "Donor", as used in this Section, means any person who makes
19 investments in the pool. "Designated beneficiary", as used in
20 this Section, means any person who is a first-time homebuyer
21 and on whose behalf an account is established in the Home
22 Savings Pool. For the purposes of this Section, "first-time
23 homebuyer" means an individual who has not held an ownership

1 interest in residential property. Both in-state and
2 out-of-state persons may be participants, donors, and
3 designated beneficiaries in the Home Savings Pool.

4 New accounts in the Home Savings Pool may be processed
5 through participating financial institutions. "Participating
6 financial institution", as used in this Section, means any
7 financial institution insured by the Federal Deposit Insurance
8 Corporation and lawfully doing business in the State of
9 Illinois and any credit union approved by the State Treasurer
10 and lawfully doing business in the State of Illinois that
11 agrees to process new accounts in the Home Savings Pool.
12 Participating financial institutions may charge a processing
13 fee to participants to open an account in the pool that shall
14 not exceed \$30 in the first calendar year during which a Home
15 Savings Pool is established and shall be adjusted in each
16 subsequent calendar year by the Treasurer based on the Consumer
17 Price Index for the North Central Region as published by the
18 United States Department of Labor, Bureau of Labor Statistics
19 for the immediately preceding calendar year. All
20 communications from the State Treasurer to participants and
21 donors shall reference the participating financial institution
22 at which the account was processed.

23 The Treasurer may invest the moneys in the Home Savings
24 Pool in the same manner and in the same types of investments
25 provided for the investment of moneys by the Illinois State
26 Board of Investment. To enhance the safety and liquidity of the

1 Home Savings Pool, to ensure the diversification of the
2 investment portfolio of the pool, and in an effort to keep
3 investment dollars in the State of Illinois, the State
4 Treasurer may make a percentage of each account available for
5 investment in participating financial institutions doing
6 business in the State. The Treasurer shall develop, publish,
7 and implement an investment policy covering the investment of
8 the moneys in the Home Savings Pool. The policy shall be
9 published (i) at least once each year in at least one newspaper
10 of general circulation in both Springfield and Chicago and (ii)
11 each year as part of the audit of the Home Savings Pool by the
12 Auditor General, which shall be distributed to all
13 participants. The Treasurer shall notify all participants in
14 writing, and the Treasurer shall publish in a newspaper of
15 general circulation in both Chicago and Springfield, any
16 changes to the previously published investment policy at least
17 30 calendar days before implementing the policy. Any investment
18 policy adopted by the Treasurer shall be reviewed and updated
19 if necessary within 90 days following the date that the State
20 Treasurer takes office.

21 Participants shall be required to use moneys distributed
22 from the Home Savings Pool for expenditures incident to the
23 purchase of a primary residence by a designated beneficiary,
24 including, but not limited to, a down payment and closing
25 costs. Distributions made from the pool for these purposes may
26 be made directly to a qualified Illinois-registered home

1 lender. The term "qualified Illinois-registered home lender",
2 as used in this Section, includes (i) banks regulated under the
3 Illinois Banking Act, (ii) savings and loans regulated under
4 the Illinois Savings and Loan Act of 1985, (iii) savings banks
5 regulated under the Savings Bank Act, (iv) credit unions
6 regulated under the Illinois Credit Union Act, and (v) mortgage
7 lenders regulated under the Residential Mortgage License Act of
8 1987. Any moneys distributed from a Home Savings Pool account
9 that are not used for these purposes shall be subject to a
10 penalty of 10% of the earnings unless the beneficiary dies or
11 becomes disabled or unless the beneficiary is 65 years of age
12 or older and has not previously received a distribution from a
13 Home Savings Pool account. Penalties shall be withheld at the
14 time the distribution is made. Participants must submit an
15 affidavit at the time of application verifying that the
16 beneficiary of the Home Savings Pool account is a first-time
17 homebuyer. Submitting a fraudulent affidavit under this
18 Section is perjury, as defined in Section 32-2 of the Criminal
19 Code of 1961.

20 The assets of the Home Savings Pool and its income and
21 operation shall be exempt from all taxation by the State of
22 Illinois and any of its subdivisions. The accrued earnings on
23 investments in the Pool once disbursed on behalf of a
24 designated beneficiary shall be similarly exempt from all
25 taxation by the State of Illinois and its subdivisions, so long
26 as they are used for qualified expenses set forth in this

1 Section. Contributions to a Home Savings Pool account during
2 the taxable year may be deducted from adjusted gross income as
3 provided in Section 203 of the Illinois Income Tax Act. The
4 provisions of this paragraph are exempt from Section 250 of the
5 Illinois Income Tax Act.

6 The Treasurer shall adopt rules he or she considers
7 necessary for the efficient administration of the Home Savings
8 Pool. The rules shall provide for the administration expenses
9 of the pool to be paid from its earnings and for the investment
10 earnings in excess of the expenses and all moneys collected as
11 penalties to be credited or paid monthly to the several
12 participants in the pool in a manner which equitably reflects
13 the differing amounts of their respective investments in the
14 pool and the differing periods of time for which those amounts
15 were in the custody of the pool. Also, the rules shall require
16 the maintenance of records that enable the Treasurer's office
17 to produce a report for each account in the pool at least
18 annually that documents the account balance and investment
19 earnings. Notice of any proposed amendments to the rules and
20 regulations shall be provided to all participants prior to
21 adoption. Amendments to rules and regulations shall apply only
22 to contributions made after the adoption of the amendment.

23 Upon creating the Home Savings Pool, the State Treasurer
24 shall give bond with 2 or more sufficient sureties, payable to
25 and for the benefit of the participants in the Home Savings
26 Pool, in the penal sum of \$1,000,000, conditioned upon the

1 faithful discharge of his or her duties in relation to the Home
2 Savings Pool.

3 Section 10. The Illinois Income Tax Act is amended by
4 changing Section 203 as follows:

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

6 Sec. 203. Base income defined.

7 (a) Individuals.

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

12 (2) Modifications. The adjusted gross income referred
13 to in paragraph (1) shall be modified by adding thereto the
14 sum 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 adjusted gross income, except
19 stock dividends of qualified public utilities
20 described in Section 305(e) of the Internal Revenue
21 Code;

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

1 taxable year;

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

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

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

26 (D-10) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation costs
2 that the individual deducted in computing adjusted
3 gross income and for which the individual claims a
4 credit under subsection (l) of Section 201;

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

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

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

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

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

1 This paragraph shall not apply to the following:

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

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

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

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

23 (iii) the taxpayer can establish, based on
24 clear and convincing evidence, that the interest
25 paid, accrued, or incurred relates to a contract or
26 agreement entered into at arm's-length rates and

1 terms and the principal purpose for the payment is
2 not federal or Illinois tax avoidance; or

3 (iv) an item of interest paid, accrued, or
4 incurred, directly or indirectly, to a person if
5 the taxpayer establishes by clear and convincing
6 evidence that the adjustments are unreasonable; or
7 if the taxpayer and the Director agree in writing
8 to the application or use of an alternative method
9 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 (D-18) An amount equal to the amount of intangible
20 expenses and costs otherwise allowed as a deduction in
21 computing base income, and that were paid, accrued, or
22 incurred, directly or indirectly, (i) for taxable
23 years ending on or after December 31, 2004, to a
24 foreign person who would be a member of the same
25 unitary business group but for the fact that the
26 foreign person's business activity outside the United

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

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

12 This paragraph shall not apply to the following:

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

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

25 (a) the person during the same taxable
26 year paid, accrued, or incurred, the

1 intangible expense or cost to a person that is
2 not a related member, and

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

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

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

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

1 (D-20) For taxable years beginning on or after
2 January 1, 2002 and ending on or before December 31,
3 2006, in the case of a distribution from a qualified
4 tuition program under Section 529 of the Internal
5 Revenue Code, other than (i) a distribution from a
6 College Savings Pool created under Section 16.5 of the
7 State Treasurer Act or (ii) a distribution from the
8 Illinois Prepaid Tuition Trust Fund, an amount equal to
9 the amount excluded from gross income under Section
10 529(c)(3)(B). For taxable years beginning on or after
11 January 1, 2007, in the case of a distribution from a
12 qualified tuition program under Section 529 of the
13 Internal Revenue Code, other than (i) a distribution
14 from a College Savings Pool created under Section 16.5
15 of the State Treasurer Act, (ii) a distribution from
16 the Illinois Prepaid Tuition Trust Fund, or (iii) a
17 distribution from a qualified tuition program under
18 Section 529 of the Internal Revenue Code that (I)
19 adopts and determines that its offering materials
20 comply with the College Savings Plans Network's
21 disclosure principles and (II) has made reasonable
22 efforts to inform in-state residents of the existence
23 of in-state qualified tuition programs by informing
24 Illinois residents directly and, where applicable, to
25 inform financial intermediaries distributing the
26 program to inform in-state residents of the existence

1 of in-state qualified tuition programs at least
2 annually, an amount equal to the amount excluded from
3 gross income under Section 529(c) (3) (B) .

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

16 (D-21) For taxable years beginning on or after
17 January 1, 2007, in the case of transfer of moneys from
18 a qualified tuition program under Section 529 of the
19 Internal Revenue Code that is administered by the State
20 to an out-of-state program, an amount equal to the
21 amount of moneys previously deducted from base income
22 under subsection (a) (2) (Y) of this Section;

23 (D-22) For taxable years beginning on or after
24 January 1, 2009, in the case of a nonqualified
25 withdrawal or refund of moneys from a qualified tuition
26 program under Section 529 of the Internal Revenue Code

1 administered by the State that is not used for
2 qualified expenses at an eligible education
3 institution, an amount equal to the contribution
4 component of the nonqualified withdrawal or refund
5 that was previously deducted from base income under
6 subsection (a)(2)(y) of this Section, provided that
7 the withdrawal or refund did not result from the
8 beneficiary's death or disability;

9 (D-23) 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 (E) For taxable years ending before December 31,
16 2001, any amount included in such total in respect of
17 any compensation (including but not limited to any
18 compensation paid or accrued to a serviceman while a
19 prisoner of war or missing in action) paid to a
20 resident by reason of being on active duty in the Armed
21 Forces of the United States and in respect of any
22 compensation paid or accrued to a resident who as a
23 governmental employee was a prisoner of war or missing
24 in action, and in respect of any compensation paid to a
25 resident in 1971 or thereafter for annual training
26 performed pursuant to Sections 502 and 503, Title 32,

1 United States Code as a member of the Illinois National
2 Guard or, beginning with taxable years ending on or
3 after December 31, 2007, the National Guard of any
4 other state. For taxable years ending on or after
5 December 31, 2001, any amount included in such total in
6 respect of any compensation (including but not limited
7 to any compensation paid or accrued to a serviceman
8 while a prisoner of war or missing in action) paid to a
9 resident by reason of being a member of any component
10 of the Armed Forces of the United States and in respect
11 of any compensation paid or accrued to a resident who
12 as a governmental employee was a prisoner of war or
13 missing in action, and in respect of any compensation
14 paid to a resident in 2001 or thereafter by reason of
15 being a member of the Illinois National Guard or,
16 beginning with taxable years ending on or after
17 December 31, 2007, the National Guard of any other
18 state. The provisions of this amendatory Act of the
19 92nd General Assembly are exempt from the provisions of
20 Section 250;

21 (F) An amount equal to all amounts included in such
22 total pursuant to the provisions of Sections 402(a),
23 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
24 Internal Revenue Code, or included in such total as
25 distributions under the provisions of any retirement
26 or disability plan for employees of any governmental

1 agency or unit, or retirement payments to retired
2 partners, which payments are excluded in computing net
3 earnings from self employment by Section 1402 of the
4 Internal Revenue Code and regulations adopted pursuant
5 thereto;

6 (G) The valuation limitation amount;

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

10 (I) An amount equal to all amounts included in such
11 total pursuant to the provisions of Section 111 of the
12 Internal Revenue Code as a recovery of items previously
13 deducted from adjusted gross income in the computation
14 of taxable income;

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

25 (K) 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 (J) of paragraph (2) of this subsection
6 shall not be eligible for the deduction provided under
7 this subparagraph (K);

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

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

26 (N) An amount equal to all amounts included in such

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

9 (O) An amount equal to any contribution made to a
10 job training project established pursuant to the Tax
11 Increment Allocation Redevelopment Act;

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

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

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

24 (S) An amount, to the extent included in adjusted
25 gross income, equal to the amount of a contribution
26 made in the taxable year on behalf of the taxpayer to a

1 medical care savings account established under the
2 Medical Care Savings Account Act or the Medical Care
3 Savings Account Act of 2000 to the extent the
4 contribution is accepted by the account administrator
5 as provided in that Act;

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

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

19 (V) Beginning with tax years ending on or after
20 December 31, 1995 and ending with tax years ending on
21 or before December 31, 2004, an amount equal to the
22 amount paid by a taxpayer who is a self-employed
23 taxpayer, a partner of a partnership, or a shareholder
24 in a Subchapter S corporation for health insurance or
25 long-term care insurance for that taxpayer or that
26 taxpayer's spouse or dependents, to the extent that the

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

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

25 (X) For taxable year 1999 and thereafter, an amount
26 equal to the amount of any (i) distributions, to the

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

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

6 (Y) For taxable years beginning on or after January
7 1, 2002 and ending on or before December 31, 2004,
8 moneys contributed in the taxable year to a College
9 Savings Pool account under Section 16.5 of the State
10 Treasurer Act, except that amounts excluded from gross
11 income under Section 529(c)(3)(C)(i) of the Internal
12 Revenue Code shall not be considered moneys
13 contributed under this subparagraph (Y). For taxable
14 years beginning on or after January 1, 2005, a maximum
15 of \$10,000 contributed in the taxable year to (i) a
16 College Savings Pool account under Section 16.5 of the
17 State Treasurer Act or (ii) the Illinois Prepaid
18 Tuition Trust Fund, except that amounts excluded from
19 gross income under Section 529(c)(3)(C)(i) of the
20 Internal Revenue Code shall not be considered moneys
21 contributed under this subparagraph (Y). For purposes
22 of this subparagraph, contributions made by an
23 employer on behalf of an employee, or matching
24 contributions made by an employee, shall be treated as
25 made by the employee. This subparagraph (Y) is exempt
26 from the provisions of Section 250;

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

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

14 (2) for taxable years ending on or before
15 December 31, 2005, "x" equals "y" multiplied by 30
16 and then divided by 70 (or "y" multiplied by
17 0.429); and

18 (3) for taxable years ending after December
19 31, 2005:

20 (i) for property on which a bonus
21 depreciation deduction of 30% of the adjusted
22 basis was taken, "x" equals "y" multiplied by
23 30 and then divided by 70 (or "y" multiplied by
24 0.429); and

25 (ii) for property on which a bonus
26 depreciation deduction of 50% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 1.0.

3 The aggregate amount deducted under this
4 subparagraph in all taxable years for any one piece of
5 property may not exceed the amount of the bonus
6 depreciation deduction taken on that property on the
7 taxpayer's federal income tax return under subsection
8 (k) of Section 168 of the Internal Revenue Code. This
9 subparagraph (Z) is exempt from the provisions of
10 Section 250;

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

16 If the taxpayer continues to own property through
17 the last day of the last tax year for which the
18 taxpayer may claim a depreciation deduction for
19 federal income tax purposes and for which the taxpayer
20 was required in any taxable year to make an addition
21 modification under subparagraph (D-15), then an amount
22 equal to that addition modification.

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

26 This subparagraph (AA) is exempt from the

1 provisions of Section 250;

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

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

22 (DD) An amount equal to the interest income taken
23 into account for the taxable year (net of the
24 deductions allocable thereto) with respect to
25 transactions with (i) a foreign person who would be a
26 member of the taxpayer's unitary business group but for

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

16 (EE) An amount equal to the income from intangible
17 property taken into account for the taxable year (net
18 of the deductions allocable thereto) with respect to
19 transactions with (i) a foreign person who would be a
20 member of the taxpayer's unitary business group but for
21 the fact that the foreign person's business activity
22 outside the United States is 80% or more of that
23 person's total business activity and (ii) for taxable
24 years ending on or after December 31, 2008, to a person
25 who would be a member of the same unitary business
26 group but for the fact that the person is prohibited

1 under Section 1501(a)(27) from being included in the
2 unitary business group because he or she is ordinarily
3 required to apportion business income under different
4 subsections of Section 304, but not to exceed the
5 addition modification required to be made for the same
6 taxable year under Section 203(a)(2)(D-18) for
7 intangible expenses and costs paid, accrued, or
8 incurred, directly or indirectly, to the same foreign
9 person. This subparagraph (EE) is exempt from the
10 provisions of Section 250; ~~and~~

11 (FF) An amount equal to any amount awarded to the
12 taxpayer during the taxable year by the Court of Claims
13 under subsection (c) of Section 8 of the Court of
14 Claims Act for time unjustly served in a State prison.
15 This subparagraph (FF) is exempt from the provisions of
16 Section 250; and -

17 (GG) For taxable years beginning on or after
18 January 1, 2011, an amount equal to the amount
19 contributed by the taxpayer during the taxable year to
20 a Home Savings Pool account under Section 17.10 of the
21 State Treasurer Act, but not to exceed \$20,000 per
22 taxable year. This subparagraph (GG) is exempt from the
23 provisions of Section 250.

24 (b) Corporations.

25 (1) In general. In the case of a corporation, base

1 income means an amount equal to the taxpayer's taxable
2 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

1 ending prior to December 31, 1986;

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

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

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

25 For taxable years in which there is a net operating
26 loss carryback or carryforward from more than one other

1 taxable year ending prior to December 31, 1986, the
2 addition modification provided in this subparagraph
3 (E) shall be the sum of the amounts computed
4 independently under the preceding provisions of this
5 subparagraph (E) for each such taxable year;

6 (E-5) For taxable years ending after December 31,
7 1997, an amount equal to any eligible remediation costs
8 that the corporation deducted in computing adjusted
9 gross income and for which the corporation claims a
10 credit under subsection (l) of Section 201;

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

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

23 If the taxpayer continues to own property through
24 the last day of the last tax year for which the
25 taxpayer may claim a depreciation deduction for
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction
2 modification under subparagraph (T), then an amount
3 equal to that subtraction modification.

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

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

1 taxpayer's unitary business group (including amounts
2 included in gross income pursuant to Sections 951
3 through 964 of the Internal Revenue Code and amounts
4 included in gross income under Section 78 of the
5 Internal Revenue Code) with respect to the stock of the
6 same person to whom the interest was paid, accrued, or
7 incurred.

8 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the
24 interest expense between the taxpayer and the
25 person did not have as a principal purpose the
26 avoidance of Illinois income tax, and is paid

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

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

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

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

26 (E-13) An amount equal to the amount of intangible

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment

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

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

1 of the Internal Revenue Code) with respect to the stock
2 of the same person to whom the premiums and costs were
3 directly or indirectly paid, incurred, or accrued. The
4 preceding sentence does not apply to the extent that
5 the same dividends caused a reduction to the addition
6 modification required under Section 203(b) (2) (E-12) or
7 Section 203(b) (2) (E-13) of this Act;

8 (E-15) For taxable years beginning after December
9 31, 2008, any deduction for dividends paid by a captive
10 real estate investment trust that is allowed to a real
11 estate investment trust under Section 857(b) (2) (B) of
12 the Internal Revenue Code for dividends paid;

13 (E-16) An amount equal to the credit allowable to
14 the taxpayer under Section 218(a) of this Act,
15 determined without regard to Section 218(c) of this
16 Act;

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

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

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

24 (H) In the case of a regulated investment company,
25 an amount equal to the amount of exempt interest
26 dividends as defined in subsection (b) (5) of Section

1 852 of the Internal Revenue Code, paid to shareholders
2 for the taxable year;

3 (I) With the exception of any amounts subtracted
4 under subparagraph (J), an amount equal to the sum of
5 all amounts disallowed as deductions by (i) Sections
6 171(a) (2), and 265(a)(2) and amounts disallowed as
7 interest expense by Section 291(a)(3) of the Internal
8 Revenue Code, as now or hereafter amended, and all
9 amounts of expenses allocable to interest and
10 disallowed as deductions by Section 265(a)(1) of the
11 Internal Revenue Code, as now or hereafter amended; and
12 (ii) for taxable years ending on or after August 13,
13 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and
14 832(b)(5)(B)(i) of the Internal Revenue Code; the
15 provisions of this subparagraph are exempt from the
16 provisions of Section 250;

17 (J) An amount equal to all amounts included in such
18 total which are exempt from taxation by this State
19 either by reason of its statutes or Constitution or by
20 reason of the Constitution, treaties or statutes of the
21 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 (K) An amount equal to those dividends included in

1 such total which were paid by a corporation which
2 conducts business operations in an Enterprise Zone or
3 zones created under the Illinois Enterprise Zone Act or
4 a River Edge Redevelopment Zone or zones created under
5 the River Edge Redevelopment Zone Act and conducts
6 substantially all of its operations in an Enterprise
7 Zone or zones or a River Edge Redevelopment Zone or
8 zones. This subparagraph (K) is exempt from the
9 provisions of Section 250;

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

19 (M) For any taxpayer that is a financial
20 organization within the meaning of Section 304(c) of
21 this Act, an amount included in such total as interest
22 income from a loan or loans made by such taxpayer to a
23 borrower, to the extent that such a loan is secured by
24 property which is eligible for the Enterprise Zone
25 Investment Credit or the River Edge Redevelopment Zone
26 Investment Credit. To determine the portion of a loan

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

17 (M-1) For any taxpayer that is a financial
18 organization within the meaning of Section 304(c) of
19 this Act, an amount included in such total as interest
20 income from a loan or loans made by such taxpayer to a
21 borrower, to the extent that such a loan is secured by
22 property which is eligible for the High Impact Business
23 Investment Credit. To determine the portion of a loan
24 or loans that is secured by property eligible for a
25 Section 201(h) investment credit to the borrower, the
26 entire principal amount of the loan or loans between

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

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

1 (O) An amount equal to: (i) 85% for taxable years
2 ending on or before December 31, 1992, or, a percentage
3 equal to the percentage allowable under Section
4 243(a)(1) of the Internal Revenue Code of 1986 for
5 taxable years ending after December 31, 1992, of the
6 amount by which dividends included in taxable income
7 and received from a corporation that is not created or
8 organized under the laws of the United States or any
9 state or political subdivision thereof, including, for
10 taxable years ending on or after December 31, 1988,
11 dividends received or deemed received or paid or deemed
12 paid under Sections 951 through 964 of the Internal
13 Revenue Code, exceed the amount of the modification
14 provided under subparagraph (G) of paragraph (2) of
15 this subsection (b) which is related to such dividends,
16 and including, for taxable years ending on or after
17 December 31, 2008, dividends received from a captive
18 real estate investment trust; plus (ii) 100% of the
19 amount by which dividends, included in taxable income
20 and received, including, for taxable years ending on or
21 after December 31, 1988, dividends received or deemed
22 received or paid or deemed paid under Sections 951
23 through 964 of the Internal Revenue Code and including,
24 for taxable years ending on or after December 31, 2008,
25 dividends received from a captive real estate
26 investment trust, from any such corporation specified

1 in clause (i) that would but for the provisions of
2 Section 1504 (b) (3) of the Internal Revenue Code be
3 treated as a member of the affiliated group which
4 includes the dividend recipient, exceed the amount of
5 the modification provided under subparagraph (G) of
6 paragraph (2) of this subsection (b) which is related
7 to such dividends. This subparagraph (O) is exempt from
8 the provisions of Section 250 of this Act;

9 (P) An amount equal to any contribution made to a
10 job training project established pursuant to the Tax
11 Increment Allocation Redevelopment Act;

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

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

1 Revenue Code for the taxable year; the provisions of
2 this subparagraph are exempt from the provisions of
3 Section 250;

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

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

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

1 (2) for taxable years ending on or before
2 December 31, 2005, "x" equals "y" multiplied by 30
3 and then divided by 70 (or "y" multiplied by
4 0.429); and

5 (3) for taxable years ending after December
6 31, 2005:

7 (i) for property on which a bonus
8 depreciation deduction of 30% of the adjusted
9 basis was taken, "x" equals "y" multiplied by
10 30 and then divided by 70 (or "y" multiplied by
11 0.429); and

12 (ii) for property on which a bonus
13 depreciation deduction of 50% of the adjusted
14 basis was taken, "x" equals "y" multiplied by
15 1.0.

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

24 (U) If the taxpayer sells, transfers, abandons, or
25 otherwise disposes of property for which the taxpayer
26 was required in any taxable year to make an addition

1 modification under subparagraph (E-10), then an amount
2 equal to that addition modification.

3 If the taxpayer continues to own property through
4 the last day of the last tax year for which the
5 taxpayer may claim a depreciation deduction for
6 federal income tax purposes and for which the taxpayer
7 was required in any taxable year to make an addition
8 modification under subparagraph (E-10), then an amount
9 equal to that addition modification.

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

13 This subparagraph (U) is exempt from the
14 provisions of Section 250;

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

1 respect to such transaction under Section
2 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
3 203(d)(2)(D-8), but not to exceed the amount of such
4 addition modification, and (iii) any insurance premium
5 income (net of deductions allocable thereto) taken
6 into account for the taxable year with respect to a
7 transaction with a taxpayer that is required to make an
8 addition modification with respect to such transaction
9 under Section 203(a)(2)(D-19), Section
10 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
11 203(d)(2)(D-9), but not to exceed the amount of that
12 addition modification. This subparagraph (V) is exempt
13 from the provisions of Section 250;

14 (W) An amount equal to the interest income taken
15 into account for the taxable year (net of the
16 deductions allocable thereto) with respect to
17 transactions with (i) a foreign person who would be a
18 member of the taxpayer's unitary business group but for
19 the fact that the foreign person's business activity
20 outside the United States is 80% or more of that
21 person's total business activity and (ii) for taxable
22 years ending on or after December 31, 2008, to a person
23 who would be a member of the same unitary business
24 group but for the fact that the person is prohibited
25 under Section 1501(a)(27) from being included in the
26 unitary business group because he or she is ordinarily

1 required to apportion business income under different
2 subsections of Section 304, but not to exceed the
3 addition modification required to be made for the same
4 taxable year under Section 203(b)(2)(E-12) for
5 interest paid, accrued, or incurred, directly or
6 indirectly, to the same person. This subparagraph (W)
7 is exempt from the provisions of Section 250; and

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

1 person. This subparagraph (X) is exempt from the
2 provisions of Section 250.

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

7 (c) Trusts and estates.

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

11 (2) Modifications. Subject to the provisions of
12 paragraph (3), the taxable income referred to in paragraph
13 (1) shall be modified by adding thereto the sum of the
14 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) In the case of (i) an estate, \$600; (ii) a
20 trust which, under its governing instrument, is
21 required to distribute all of its income currently,
22 \$300; and (iii) any other trust, \$100, but in each such
23 case, only to the extent such amount was deducted in
24 the computation of taxable income;

25 (C) An amount equal to the amount of tax imposed by

1 this Act to the extent deducted from gross income in
2 the computation of taxable income for the taxable year;

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

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

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

25 (ii) the addition modification relating to the
26 net operating loss carried back or forward to the

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

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

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

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

21 (G-5) For taxable years ending after December 31,
22 1997, an amount equal to any eligible remediation costs
23 that the trust or estate deducted in computing adjusted
24 gross income and for which the trust or estate claims a
25 credit under subsection (1) of Section 201;

26 (G-10) For taxable years 2001 and thereafter, an

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

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

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

19 The taxpayer is required to make the addition
20 modification under this subparagraph only once with
21 respect to any one piece of property;

22 (G-12) An amount equal to the amount otherwise
23 allowed as a deduction in computing base income for
24 interest paid, accrued, or incurred, directly or
25 indirectly, (i) for taxable years ending on or after
26 December 31, 2004, to a foreign person who would be a

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

23 This paragraph shall not apply to the following:

24 (i) an item of interest paid, accrued, or
25 incurred, directly or indirectly, to a person who
26 is subject in a foreign country or state, other

1 than a state which requires mandatory unitary
2 reporting, to a tax on or measured by net income
3 with respect to such interest; or

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

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

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

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

25 (iv) an item of interest paid, accrued, or
26 incurred, directly or indirectly, to a person if

1 the taxpayer establishes by clear and convincing
2 evidence that the adjustments are unreasonable; or
3 if the taxpayer and the Director agree in writing
4 to the application or use of an alternative method
5 of apportionment under Section 304(f).

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

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

1 the person is prohibited under Section 1501(a)(27)
2 from being included in the unitary business group
3 because he or she is ordinarily required to apportion
4 business income under different subsections of Section
5 304. The addition modification required by this
6 subparagraph shall be reduced to the extent that
7 dividends were included in base income of the unitary
8 group for the same taxable year and received by the
9 taxpayer or by a member of the taxpayer's unitary
10 business group (including amounts included in gross
11 income pursuant to Sections 951 through 964 of the
12 Internal Revenue Code and amounts included in gross
13 income under Section 78 of the Internal Revenue Code)
14 with respect to the stock of the same person to whom
15 the intangible expenses and costs were directly or
16 indirectly paid, incurred, or accrued. The preceding
17 sentence shall not apply to the extent that the same
18 dividends caused a reduction to the addition
19 modification required under Section 203(c)(2)(G-12) of
20 this Act. As used in this subparagraph, the term
21 "intangible expenses and costs" includes: (1)
22 expenses, losses, and costs for or related to the
23 direct or indirect acquisition, use, maintenance or
24 management, ownership, sale, exchange, or any other
25 disposition of intangible property; (2) losses
26 incurred, directly or indirectly, from factoring

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

8 This paragraph shall not apply to the following:

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

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

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

25 (b) the transaction giving rise to the
26 intangible expense or cost between the

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

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

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

23 (G-14) For taxable years ending on or after
24 December 31, 2008, an amount equal to the amount of
25 insurance premium expenses and costs otherwise allowed
26 as a deduction in computing base income, and that were

1 paid, accrued, or incurred, directly or indirectly, to
2 a person who would be a member of the same unitary
3 business group but for the fact that the person is
4 prohibited under Section 1501(a)(27) from being
5 included in the unitary business group because he or
6 she is ordinarily required to apportion business
7 income under different subsections of Section 304. The
8 addition modification required by this subparagraph
9 shall be reduced to the extent that dividends were
10 included in base income of the unitary group for the
11 same taxable year and received by the taxpayer or by a
12 member of the taxpayer's unitary business group
13 (including amounts included in gross income under
14 Sections 951 through 964 of the Internal Revenue Code
15 and amounts included in gross income under Section 78
16 of the Internal Revenue Code) with respect to the stock
17 of the same person to whom the premiums and costs were
18 directly or indirectly paid, incurred, or accrued. The
19 preceding sentence does not apply to the extent that
20 the same dividends caused a reduction to the addition
21 modification required under Section 203(c)(2)(G-12) or
22 Section 203(c)(2)(G-13) of this Act;

23 (G-15) An amount equal to the credit allowable to
24 the taxpayer under Section 218(a) of this Act,
25 determined without regard to Section 218(c) of this
26 Act;

1 and by deducting from the total so obtained the sum of the
2 following amounts:

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

14 (I) The valuation limitation amount;

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

1 exempted shall be the interest net of bond premium
2 amortization;

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

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

26 (N) An amount equal to any contribution made to a

1 job training project established pursuant to the Tax
2 Increment Allocation Redevelopment Act;

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

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

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

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

24 (R) For taxable years 2001 and thereafter, for the
25 taxable year in which the bonus depreciation deduction
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal
2 Revenue Code and for each applicable taxable year
3 thereafter, an amount equal to "x", where:

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

11 (2) for taxable years ending on or before
12 December 31, 2005, "x" equals "y" multiplied by 30
13 and then divided by 70 (or "y" multiplied by
14 0.429); and

15 (3) for taxable years ending after December
16 31, 2005:

17 (i) for property on which a bonus
18 depreciation deduction of 30% of the adjusted
19 basis was taken, "x" equals "y" multiplied by
20 30 and then divided by 70 (or "y" multiplied by
21 0.429); and

22 (ii) for property on which a bonus
23 depreciation deduction of 50% of the adjusted
24 basis was taken, "x" equals "y" multiplied by
25 1.0.

26 The aggregate amount deducted under this

1 subparagraph in all taxable years for any one piece of
2 property may not exceed the amount of the bonus
3 depreciation deduction taken on that property on the
4 taxpayer's federal income tax return under subsection
5 (k) of Section 168 of the Internal Revenue Code. This
6 subparagraph (R) is exempt from the provisions of
7 Section 250;

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

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

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

23 This subparagraph (S) is exempt from the
24 provisions of Section 250;

25 (T) The amount of (i) any interest income (net of
26 the deductions allocable thereto) taken into account

1 for the taxable year with respect to a transaction with
2 a taxpayer that is required to make an addition
3 modification with respect to such transaction under
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
6 the amount of such addition modification and (ii) any
7 income from intangible property (net of the deductions
8 allocable thereto) taken into account for the taxable
9 year with respect to a transaction with a taxpayer that
10 is required to make an addition modification with
11 respect to such transaction under Section
12 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
13 203(d)(2)(D-8), but not to exceed the amount of such
14 addition modification. This subparagraph (T) is exempt
15 from the provisions of Section 250;

16 (U) An amount equal to the interest income taken
17 into account for the taxable year (net of the
18 deductions allocable thereto) with respect to
19 transactions with (i) a foreign person who would be a
20 member of the taxpayer's unitary business group but for
21 the fact the foreign person's business activity
22 outside the United States is 80% or more of that
23 person's total business activity and (ii) for taxable
24 years ending on or after December 31, 2008, to a person
25 who would be a member of the same unitary business
26 group but for the fact that the person is prohibited

1 under Section 1501(a)(27) from being included in the
2 unitary business group because he or she is ordinarily
3 required to apportion business income under different
4 subsections of Section 304, but not to exceed the
5 addition modification required to be made for the same
6 taxable year under Section 203(c)(2)(G-12) for
7 interest paid, accrued, or incurred, directly or
8 indirectly, to the same person. This subparagraph (U)
9 is exempt from the provisions of Section 250; and

10 (V) An amount equal to the income from intangible
11 property taken into account for the taxable year (net
12 of the 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(c)(2)(G-13) for

1 intangible expenses and costs paid, accrued, or
2 incurred, directly or indirectly, to the same foreign
3 person. This subparagraph (V) is exempt from the
4 provisions of Section 250.

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

12 (d) Partnerships.

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

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

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

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

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

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

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

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

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

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

4 (D-7) An amount equal to the amount otherwise
5 allowed as a deduction in computing base income for
6 interest paid, accrued, or incurred, directly or
7 indirectly, (i) for taxable years ending on or after
8 December 31, 2004, to a foreign person who would be a
9 member of the same unitary business group but for the
10 fact the foreign person's business activity outside
11 the United States is 80% or more of the foreign
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. The addition modification
20 required by this subparagraph shall be reduced to the
21 extent that dividends were included in base income of
22 the unitary group for the same taxable year and
23 received by the taxpayer or by a member of the
24 taxpayer's unitary business group (including amounts
25 included in gross income pursuant to Sections 951
26 through 964 of the Internal Revenue Code and amounts

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

5 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

16 This paragraph shall not apply to the following:

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

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

1 on a preponderance of the evidence, both of the
2 following:

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

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

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

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

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

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

1 preceding sentence does not apply to the extent that
2 the same dividends caused a reduction to the addition
3 modification required under Section 203(d)(2)(D-7) or
4 Section 203(d)(2)(D-8) of this Act;

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

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

11 (E) The valuation limitation amount;

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

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

25 (H) Any income of the partnership which
26 constitutes personal service income as defined in

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

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

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

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

1 conducts business operations in an Enterprise Zone or
2 zones created under the Illinois Enterprise Zone Act,
3 enacted by the 82nd General Assembly, or a River Edge
4 Redevelopment Zone or zones created under the River
5 Edge Redevelopment Zone Act and conducts substantially
6 all of its operations in an Enterprise Zone or Zones or
7 from a River Edge Redevelopment Zone or zones. This
8 subparagraph (K) is exempt from the provisions of
9 Section 250;

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

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

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

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

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

14 (2) for taxable years ending on or before
15 December 31, 2005, "x" equals "y" multiplied by 30
16 and then divided by 70 (or "y" multiplied by
17 0.429); and

18 (3) for taxable years ending after December
19 31, 2005:

20 (i) for property on which a bonus
21 depreciation deduction of 30% of the adjusted
22 basis was taken, "x" equals "y" multiplied by
23 30 and then divided by 70 (or "y" multiplied by
24 0.429); and

25 (ii) for property on which a bonus
26 depreciation deduction of 50% of the adjusted

1 provisions of Section 250;

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

19 (R) An amount equal to the interest income taken
20 into account for the taxable year (net of the
21 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-7) for interest
10 paid, accrued, or incurred, directly or indirectly, to
11 the same person. This subparagraph (R) is exempt from
12 Section 250; and

13 (S) An amount equal to the income from intangible
14 property taken into account for the taxable year (net
15 of the deductions allocable thereto) with respect to
16 transactions with (i) a foreign person who would be a
17 member of the taxpayer's unitary business group but for
18 the fact that the foreign person's business activity
19 outside the United States is 80% or more of that
20 person's total business activity and (ii) for taxable
21 years ending on or after December 31, 2008, to a person
22 who would be a member of the same unitary business
23 group but for the fact that the person is prohibited
24 under Section 1501(a)(27) from being included in the
25 unitary business group because he or she is ordinarily
26 required to apportion business income under different

1 subsections of Section 304, but not to exceed the
2 addition modification required to be made for the same
3 taxable year under Section 203(d)(2)(D-8) for
4 intangible expenses and costs paid, accrued, or
5 incurred, directly or indirectly, to the same person.
6 This subparagraph (S) is exempt from Section 250.

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

8 (1) In general. Subject to the provisions of paragraph
9 (2) and subsection (b) (3), for purposes of this Section
10 and Section 803(e), a taxpayer's gross income, adjusted
11 gross income, or taxable income for the taxable year shall
12 mean the amount of gross income, adjusted gross income or
13 taxable income properly reportable for federal income tax
14 purposes for the taxable year under the provisions of the
15 Internal Revenue Code. Taxable income may be less than
16 zero. However, for taxable years ending on or after
17 December 31, 1986, net operating loss carryforwards from
18 taxable years ending prior to December 31, 1986, may not
19 exceed the sum of federal taxable income for the taxable
20 year before net operating loss deduction, plus the excess
21 of addition modifications over subtraction modifications
22 for the taxable year. For taxable years ending prior to
23 December 31, 1986, taxable income may never be an amount in
24 excess of the net operating loss for the taxable year as
25 defined in subsections (c) and (d) of Section 172 of the

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

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

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

25 (B) Certain other insurance companies. In the case
26 of mutual insurance companies subject to the tax

1 imposed by Section 831 of the Internal Revenue Code,
2 insurance company taxable income;

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

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

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

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

1 Revenue Code, but without regard to the prohibition
2 against offsetting losses from patronage activities
3 against income from nonpatronage activities; except
4 that a cooperative corporation or association may make
5 an election to follow its federal income tax treatment
6 of patronage losses and nonpatronage losses. In the
7 event such election is made, such losses shall be
8 computed and carried over in a manner consistent with
9 subsection (a) of Section 207 of this Act and
10 apportioned by the apportionment factor reported by
11 the cooperative on its Illinois income tax return filed
12 for the taxable year in which the losses are incurred.
13 The election shall be effective for all taxable years
14 with original returns due on or after the date of the
15 election. In addition, the cooperative may file an
16 amended return or returns, as allowed under this Act,
17 to provide that the election shall be effective for
18 losses incurred or carried forward for taxable years
19 occurring prior to the date of the election. Once made,
20 the election may only be revoked upon approval of the
21 Director. The Department shall adopt rules setting
22 forth requirements for documenting the elections and
23 any resulting Illinois net loss and the standards to be
24 used by the Director in evaluating requests to revoke
25 elections. Public Act 96-932 ~~This amendatory Act of the~~
26 ~~96th General Assembly~~ is declaratory of existing law;

1 (G) Subchapter S corporations. In the case of: (i)
2 a Subchapter S corporation for which there is in effect
3 an election for the taxable year under Section 1362 of
4 the Internal Revenue Code, the taxable income of such
5 corporation determined in accordance with Section
6 1363(b) of the Internal Revenue Code, except that
7 taxable income shall take into account those items
8 which are required by Section 1363(b)(1) of the
9 Internal Revenue Code to be separately stated; and (ii)
10 a Subchapter S corporation for which there is in effect
11 a federal election to opt out of the provisions of the
12 Subchapter S Revision Act of 1982 and have applied
13 instead the prior federal Subchapter S rules as in
14 effect on July 1, 1982, the taxable income of such
15 corporation determined in accordance with the federal
16 Subchapter S rules as in effect on July 1, 1982; and

17 (H) Partnerships. In the case of a partnership,
18 taxable income determined in accordance with Section
19 703 of the Internal Revenue Code, except that taxable
20 income shall take into account those items which are
21 required by Section 703(a)(1) to be separately stated
22 but which would be taken into account by an individual
23 in calculating his taxable income.

24 (3) Recapture of business expenses on disposition of
25 asset or business. Notwithstanding any other law to the
26 contrary, if in prior years income from an asset or

1 business has been classified as business income and in a
2 later year is demonstrated to be non-business income, then
3 all expenses, without limitation, deducted in such later
4 year and in the 2 immediately preceding taxable years
5 related to that asset or business that generated the
6 non-business income shall be added back and recaptured as
7 business income in the year of the disposition of the asset
8 or business. Such amount shall be apportioned to Illinois
9 using the greater of the apportionment fraction computed
10 for the business under Section 304 of this Act for the
11 taxable year or the average of the apportionment fractions
12 computed for the business under Section 304 of this Act for
13 the taxable year and for the 2 immediately preceding
14 taxable years.

15 (f) Valuation limitation amount.

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

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

24 (B) The lesser of (i) the sum of the pre-August 1,
25 1969 appreciation amounts (to the extent consisting of

1 capital gain) for all property in respect of which such
2 gain was reported for federal income tax purposes for
3 the taxable year, or (ii) the net capital gain for the
4 taxable year, reduced in either case by any amount of
5 such gain included in the amount determined under
6 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

1 property ending July 31, 1969 bears to the number of
2 full calendar months in the taxpayer's entire holding
3 period for the property.

4 (C) The Department shall prescribe such
5 regulations as may be necessary to carry out the
6 purposes of this paragraph.

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

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

19 (Source: P.A. 95-23, eff. 8-3-07; 95-233, eff. 8-16-07; 95-286,
20 eff. 8-20-07; 95-331, eff. 8-21-07; 95-707, eff. 1-11-08;
21 95-876, eff. 8-21-08; 96-45, eff. 7-15-09; 96-120, eff. 8-4-09;
22 96-198, eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff.
23 8-14-09; 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935,
24 eff. 6-21-10; 96-1214, eff. 7-22-10; revised 9-16-10.)

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.