

# HB1725



## 97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB1725

by Rep. Rosemary Mulligan

### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates an income tax deduction for individuals and trusts and estates for any amount exceeding \$2,000 expended for the purchase of a hearing aid. Effective immediately.

LRB097 03033 HLH 43064 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

23 (B) An amount equal to the amount of tax imposed by

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

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

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

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

1 20 of the Medical Care Savings Account Act of 2000;

2 (D-10) For taxable years ending after December 31,  
3 1997, an amount equal to any eligible remediation costs  
4 that the individual deducted in computing adjusted  
5 gross income and for which the individual claims a  
6 credit under subsection (l) of Section 201;

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

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

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

26 The taxpayer is required to make the addition

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

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

25 (iii) the taxpayer can establish, based on  
26 clear and convincing evidence, that the interest

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

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

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

21          (D-18) An amount equal to the amount of intangible  
22          expenses and costs otherwise allowed as a deduction in  
23          computing base income, and that were paid, accrued, or  
24          incurred, directly or indirectly, (i) for taxable  
25          years ending on or after December 31, 2004, to a  
26          foreign person who would be a member of the same

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



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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

1           by which the Department will utilize its authority  
2           under Section 404 of this Act;

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

1 modification required under Section 203(a)(2)(D-17) or  
2 Section 203(a)(2)(D-18) of this Act.

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

1 inform financial intermediaries distributing the  
2 program to inform in-state residents of the existence  
3 of in-state qualified tuition programs at least  
4 annually, an amount equal to the amount excluded from  
5 gross income under Section 529(c)(3)(B).

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

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

25 (D-22) For taxable years beginning on or after  
26 January 1, 2009, in the case of a nonqualified

1 withdrawal or refund of moneys from a qualified tuition  
2 program under Section 529 of the Internal Revenue Code  
3 administered by the State that is not used for  
4 qualified expenses at an eligible education  
5 institution, an amount equal to the contribution  
6 component of the nonqualified withdrawal or refund  
7 that was previously deducted from base income under  
8 subsection (a)(2)(y) of this Section, provided that  
9 the withdrawal or refund did not result from the  
10 beneficiary's death or disability;

11 (D-23) An amount equal to the credit allowable to  
12 the taxpayer under Section 218(a) of this Act,  
13 determined without regard to Section 218(c) of this  
14 Act;

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

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

1 resident in 1971 or thereafter for annual training  
2 performed pursuant to Sections 502 and 503, Title 32,  
3 United States Code as a member of the Illinois National  
4 Guard or, beginning with taxable years ending on or  
5 after December 31, 2007, the National Guard of any  
6 other state. For taxable years ending on or after  
7 December 31, 2001, any amount included in such total in  
8 respect of any compensation (including but not limited  
9 to any compensation paid or accrued to a serviceman  
10 while a prisoner of war or missing in action) paid to a  
11 resident by reason of being a member of any component  
12 of the Armed Forces of the United States and in respect  
13 of any compensation paid or accrued to a resident who  
14 as a governmental employee was a prisoner of war or  
15 missing in action, and in respect of any compensation  
16 paid to a resident in 2001 or thereafter by reason of  
17 being a member of the Illinois National Guard or,  
18 beginning with taxable years ending on or after  
19 December 31, 2007, the National Guard of any other  
20 state. The provisions of this amendatory Act of the  
21 92nd General Assembly are exempt from the provisions of  
22 Section 250;

23 (F) An amount equal to all amounts included in such  
24 total pursuant to the provisions of Sections 402(a),  
25 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
26 Internal Revenue Code, or included in such total as

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

8 (G) The valuation limitation amount;

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

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

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



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

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

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

1           250;

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

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

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

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

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

26           (S) An amount, to the extent included in adjusted

1 gross income, equal to the amount of a contribution  
2 made in the taxable year on behalf of the taxpayer to a  
3 medical care savings account established under the  
4 Medical Care Savings Account Act or the Medical Care  
5 Savings Account Act of 2000 to the extent the  
6 contribution is accepted by the account administrator  
7 as provided in that Act;

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

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

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

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

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

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

1 Germany or any other Axis regime or as an heir of the  
2 victim. The amount of and the eligibility for any  
3 public assistance, benefit, or similar entitlement is  
4 not affected by the inclusion of items (i) and (ii) of  
5 this paragraph in gross income for federal income tax  
6 purposes. This paragraph is exempt from the provisions  
7 of Section 250;

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

1 made by the employee. This subparagraph (Y) is exempt  
2 from the provisions of Section 250;

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

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

16 (2) for taxable years ending on or before  
17 December 31, 2005, "x" equals "y" multiplied by 30  
18 and then divided by 70 (or "y" multiplied by  
19 0.429); and

20 (3) for taxable years ending after December  
21 31, 2005:

22 (i) for property on which a bonus  
23 depreciation deduction of 30% of the adjusted  
24 basis was taken, "x" equals "y" multiplied by  
25 30 and then divided by 70 (or "y" multiplied by  
26 0.429); and

1                   (ii) for property on which a bonus  
2                   depreciation deduction of 50% of the adjusted  
3                   basis was taken, "x" equals "y" multiplied by  
4                   1.0.

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

13                  (AA) 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-15), then  
17                  an amount equal to that addition modification.

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

25                  The taxpayer is allowed to take the deduction under  
26                  this subparagraph only once with respect to any one



1 piece of property.

2 This subparagraph (AA) is exempt from the  
3 provisions of Section 250;

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

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

24 (DD) An amount equal to the interest income taken  
25 into account for the taxable year (net of the  
26 deductions allocable thereto) with respect to

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

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

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

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

19                 (GG) For taxable years ending on or after December  
20                 31, 2011 and ending on or before December 31, 2016, an  
21                 amount equal to: (i) the amount expended by the  
22                 taxpayer during the taxable year for the purchase of a  
23                 hearing aid for use by the taxpayer or by a dependent  
24                 of the taxpayer; less (ii) \$2,000. For the purpose of  
25                 this subparagraph (GG), "hearing aid" means an  
26                 ear-level or body-worn electroacoustic instrument that

1 is used for the purpose of amplifying sound and the  
2 basic components of which are a microphone, amplifier,  
3 and receiver. "Hearing aid" also includes prosthetic  
4 devices that produce perception of sound by replacing  
5 the function of the middle ear, cochlea, or auditory  
6 nerve, such as auditory osseointegrated devices and  
7 auditory brainstem devices.

8 (b) Corporations.

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

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

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

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

23 (C) In the case of a regulated investment company,  
24 an amount equal to the excess of (i) the net long-term  
25 capital gain for the taxable year, over (ii) the amount

1 of the capital gain dividends designated as such in  
2 accordance with Section 852(b)(3)(C) of the Internal  
3 Revenue Code and any amount designated under Section  
4 852(b)(3)(D) of the Internal Revenue Code,  
5 attributable to the taxable year (this amendatory Act  
6 of 1995 (Public Act 89-89) is declarative of existing  
7 law and is not a new enactment);

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

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

22 (i) the addition modification relating to the  
23 net operating loss carried back or forward to the  
24 taxable year from any taxable year ending prior to  
25 December 31, 1986 shall be reduced by the amount of  
26 addition modification under this subparagraph (E)

1           which related to that net operating loss and which  
2           was taken into account in calculating the base  
3           income of an earlier taxable year, and

4                   (ii) the addition modification relating to the  
5           net operating loss carried back or forward to the  
6           taxable year from any taxable year ending prior to  
7           December 31, 1986 shall not exceed the amount of  
8           such carryback or carryforward;

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

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

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

26                  (E-11) If the taxpayer sells, transfers, abandons,

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

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

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

17 (E-12) An amount equal to the amount otherwise  
18 allowed as a deduction in computing base income for  
19 interest paid, accrued, or incurred, directly or  
20 indirectly, (i) for taxable years ending on or after  
21 December 31, 2004, to a foreign person who would be a  
22 member of the same unitary business group but for the  
23 fact the foreign person's business activity outside  
24 the United States is 80% or more of the foreign  
25 person's total business activity and (ii) for taxable  
26 years ending on or after December 31, 2008, to a person

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

18                 This paragraph shall not apply to the following:

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

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



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

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

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

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

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

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

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

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

1 marks, copyrights, mask works, trade secrets, and  
2 similar types of intangible assets.

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

18 (E-15) For taxable years beginning after December  
19 31, 2008, any deduction for dividends paid by a captive  
20 real estate investment trust that is allowed to a real  
21 estate investment trust under Section 857(b)(2)(B) of  
22 the Internal Revenue Code for dividends paid;

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

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

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

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

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

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

20           (L) An amount equal to those dividends included in  
21 such total that were paid by a corporation that  
22 conducts business operations in a federally designated  
23 Foreign Trade Zone or Sub-Zone and that is designated a  
24 High Impact Business located in Illinois; provided  
25 that dividends eligible for the deduction provided in  
26 subparagraph (K) of paragraph 2 of this subsection



1 shall not be eligible for the deduction provided under  
2 this subparagraph (L);

3 (M) For any taxpayer that is a financial  
4 organization within the meaning of Section 304(c) of  
5 this Act, an amount included in such total as interest  
6 income from a loan or loans made by such taxpayer to a  
7 borrower, to the extent that such a loan is secured by  
8 property which is eligible for the Enterprise Zone  
9 Investment Credit or the River Edge Redevelopment Zone  
10 Investment Credit. To determine the portion of a loan  
11 or loans that is secured by property eligible for a  
12 Section 201(f) investment credit to the borrower, the  
13 entire principal amount of the loan or loans between  
14 the taxpayer and the borrower should be divided into  
15 the basis of the Section 201(f) investment credit  
16 property which secures the loan or loans, using for  
17 this purpose the original basis of such property on the  
18 date that it was placed in service in the Enterprise  
19 Zone or the River Edge Redevelopment Zone. The  
20 subtraction modification available to taxpayer in any  
21 year under this subsection shall be that portion of the  
22 total interest paid by the borrower with respect to  
23 such loan attributable to the eligible property as  
24 calculated under the previous sentence. This  
25 subparagraph (M) is exempt from the provisions of  
26 Section 250;

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

26 (N) Two times any contribution made during the

1 taxable year to a designated zone organization to the  
2 extent that the contribution (i) qualifies as a  
3 charitable contribution under subsection (c) of  
4 Section 170 of the Internal Revenue Code and (ii) must,  
5 by its terms, be used for a project approved by the  
6 Department of Commerce and Economic Opportunity under  
7 Section 11 of the Illinois Enterprise Zone Act or under  
8 Section 10-10 of the River Edge Redevelopment Zone Act.  
9 This subparagraph (N) is exempt from the provisions of  
10 Section 250;

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

1 December 31, 2008, dividends received from a captive  
2 real estate investment trust; plus (ii) 100% of the  
3 amount by which dividends, included in taxable income  
4 and received, including, for taxable years ending on or  
5 after December 31, 1988, dividends received or deemed  
6 received or paid or deemed paid under Sections 951  
7 through 964 of the Internal Revenue Code and including,  
8 for taxable years ending on or after December 31, 2008,  
9 dividends received from a captive real estate  
10 investment trust, from any such corporation specified  
11 in clause (i) that would but for the provisions of  
12 Section 1504 (b) (3) of the Internal Revenue Code be  
13 treated as a member of the affiliated group which  
14 includes the dividend recipient, exceed the amount of  
15 the modification provided under subparagraph (G) of  
16 paragraph (2) of this subsection (b) which is related  
17 to such dividends. This subparagraph (O) is exempt from  
18 the provisions of Section 250 of this Act;

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

22 (Q) 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           (R) On and after July 20, 1999, in the case of an  
2 attorney-in-fact with respect to whom an interinsurer  
3 or a reciprocal insurer has made the election under  
4 Section 835 of the Internal Revenue Code, 26 U.S.C.  
5 835, an amount equal to the excess, if any, of the  
6 amounts paid or incurred by that interinsurer or  
7 reciprocal insurer in the taxable year to the  
8 attorney-in-fact over the deduction allowed to that  
9 interinsurer or reciprocal insurer with respect to the  
10 attorney-in-fact under Section 835(b) of the Internal  
11 Revenue Code for the taxable year; the provisions of  
12 this subparagraph are exempt from the provisions of  
13 Section 250;

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

24           (T) 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 (T) is exempt from the provisions of  
7           Section 250;

8           (U) 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 (E-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 (E-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 (U) is exempt from the  
24          provisions of Section 250;

25          (V) 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, (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, and (iii) any insurance premium  
15 income (net of deductions allocable thereto) taken  
16 into account for the taxable year with respect to a  
17 transaction with a taxpayer that is required to make an  
18 addition modification with respect to such transaction  
19 under Section 203(a)(2)(D-19), Section  
20 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
21 203(d)(2)(D-9), but not to exceed the amount of that  
22 addition modification. This subparagraph (V) is exempt  
23 from the provisions of Section 250;

24 (W) An amount equal to the interest income taken  
25 into account for the taxable year (net of the  
26 deductions allocable thereto) with respect to



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

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

1           who would be a member of the same unitary business  
2           group but for the fact that the person is prohibited  
3           under Section 1501(a)(27) from being included in the  
4           unitary business group because he or she is ordinarily  
5           required to apportion business income under different  
6           subsections of Section 304, but not to exceed the  
7           addition modification required to be made for the same  
8           taxable year under Section 203(b)(2)(E-13) for  
9           intangible expenses and costs paid, accrued, or  
10          incurred, directly or indirectly, to the same foreign  
11          person. This subparagraph (X) is exempt from the  
12          provisions of Section 250.

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

17          (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

9           (ii) the addition modification relating to the  
10 net operating loss carried back or forward to the  
11 taxable year from any taxable year ending prior to  
12 December 31, 1986 shall not exceed the amount of  
13 such carryback or carryforward;

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

21           (F) For taxable years ending on or after January 1,  
22 1989, an amount equal to the tax deducted pursuant to  
23 Section 164 of the Internal Revenue Code if the trust  
24 or estate is claiming the same tax for purposes of the  
25 Illinois foreign tax credit under Section 601 of this  
26 Act;

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

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

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

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

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

1 modification under subparagraph (R), then an amount  
2 equal to that subtraction modification.

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

25 (G-13) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in



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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

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

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

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

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

24                  Nothing in this subsection shall preclude the  
25                  Director from making any other adjustment  
26                  otherwise allowed under Section 404 of this Act for

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

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

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

7 (G-15) An amount equal to the credit allowable to  
8 the taxpayer under Section 218(a) of this Act,  
9 determined without regard to Section 218(c) of this  
10 Act;

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

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

24 (I) The valuation limitation amount;

25 (J) An amount equal to the amount of any tax  
26 imposed by this Act which was refunded to the taxpayer

1 and included in such total for the taxable year;

2 (K) An amount equal to all amounts included in  
3 taxable income as modified by subparagraphs (A), (B),  
4 (C), (D), (E), (F) and (G) which are exempt from  
5 taxation by this State either by reason of its statutes  
6 or Constitution or by reason of the Constitution,  
7 treaties or statutes of the United States; provided  
8 that, in the case of any statute of this State that  
9 exempts income derived from bonds or other obligations  
10 from the tax imposed under this Act, the amount  
11 exempted shall be the interest net of bond premium  
12 amortization;

13 (L) With the exception of any amounts subtracted  
14 under subparagraph (K), an amount equal to the sum of  
15 all amounts disallowed as deductions by (i) Sections  
16 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
17 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 (M) An amount equal to those dividends included in

1 such total which were paid by a corporation which  
2 conducts business operations in an Enterprise Zone or  
3 zones created under the Illinois Enterprise Zone Act 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 (M) is exempt from the  
9 provisions of Section 250;

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

13 (O) 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 (M) of paragraph (2) of this subsection  
20 shall not be eligible for the deduction provided under  
21 this subparagraph (O);

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



1 Germany or any other Axis regime or as an heir of the  
2 victim. The amount of and the eligibility for any  
3 public assistance, benefit, or similar entitlement is  
4 not affected by the inclusion of items (i) and (ii) of  
5 this paragraph in gross income for federal income tax  
6 purposes. This paragraph is exempt from the provisions  
7 of Section 250;

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

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

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

25 (3) for taxable years ending after December  
26 31, 2005:

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

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

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

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

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 required in any taxable year to make an addition  
2 modification under subparagraph (G-10), then an amount  
3 equal to that addition modification.

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

7 This subparagraph (S) is exempt from the  
8 provisions of Section 250;

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

26 (U) An amount equal to the interest income taken

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

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

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

15 (W) For taxable years ending on or after December  
16 31, 2011 and ending on or before December 31, 2016, an  
17 amount equal to: (i) the amount expended by the  
18 taxpayer during the taxable year for the purchase of a  
19 hearing aid for use by a beneficiary or by a dependent  
20 of beneficiary; less (ii) \$2,000. For the purpose of  
21 this subparagraph (W), "hearing aid" means an  
22 ear-level or body-worn electroacoustic instrument that  
23 is used for the purpose of amplifying sound and the  
24 basic components of which are a microphone, amplifier,  
25 and receiver. "Hearing aid" also includes prosthetic  
26 devices that produce perception of sound by replacing

1       the function of the middle ear, cochlea, or auditory  
2       nerve, such as auditory osseointegrated devices and  
3       auditory brainstem devices. "Beneficiary" means any  
4       person for whose benefit the trust or estate is created  
5       or maintained.

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

13       (d) Partnerships.

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

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

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

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

1 the taxable year;

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

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

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

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

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

1 equal to that subtraction modification.

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

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



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

6 This paragraph shall not apply to the following:

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

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

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

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

1 terms; or

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

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

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

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

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

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

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

12 (E) The valuation limitation amount;

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

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

26 (H) Any income of the partnership which

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

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

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

26 (K) An amount equal to those dividends included in



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

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

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

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

1 the Internal Revenue Code of 1986;

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

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

15 (2) for taxable years ending on or before  
16 December 31, 2005, "x" equals "y" multiplied by 30  
17 and then divided by 70 (or "y" multiplied by  
18 0.429); and

19 (3) for taxable years ending after December  
20 31, 2005:

21 (i) for property on which a bonus  
22 depreciation deduction of 30% of the adjusted  
23 basis was taken, "x" equals "y" multiplied by  
24 30 and then divided by 70 (or "y" multiplied by  
25 0.429); and

26 (ii) for property on which a bonus

1 depreciation deduction of 50% of the adjusted  
2 basis was taken, "x" equals "y" multiplied by  
3 1.0.

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

12 (P) If the taxpayer sells, transfers, abandons, or  
13 otherwise disposes of property for which the taxpayer  
14 was required in any taxable year to make an addition  
15 modification under subparagraph (D-5), then an amount  
16 equal to that addition modification.

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 required in any taxable year to make an addition  
22 modification under subparagraph (D-5), then an amount  
23 equal to that addition modification.

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

1           This subparagraph (P) is exempt from the  
2 provisions of Section 250;

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

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

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

14 (S) An amount equal to the income from intangible  
15 property taken into account for the taxable year (net  
16 of the 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(d)(2)(D-8) for  
5 intangible expenses and costs paid, accrued, or  
6 incurred, directly or indirectly, to the same person.  
7 This subparagraph (S) is exempt from Section 250.

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

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

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

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

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

26 (B) Certain other insurance companies. In the case

1 of mutual insurance companies subject to the tax  
2 imposed by Section 831 of the Internal Revenue Code,  
3 insurance company taxable income;

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

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

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

24 (F) Cooperatives. In the case of a cooperative  
25 corporation or association, the taxable income of such  
26 organization determined in accordance with the



1 provisions of Section 1381 through 1388 of the Internal  
2 Revenue Code, but without regard to the prohibition  
3 against offsetting losses from patronage activities  
4 against income from nonpatronage activities; except  
5 that a cooperative corporation or association may make  
6 an election to follow its federal income tax treatment  
7 of patronage losses and nonpatronage losses. In the  
8 event such election is made, such losses shall be  
9 computed and carried over in a manner consistent with  
10 subsection (a) of Section 207 of this Act and  
11 apportioned by the apportionment factor reported by  
12 the cooperative on its Illinois income tax return filed  
13 for the taxable year in which the losses are incurred.  
14 The election shall be effective for all taxable years  
15 with original returns due on or after the date of the  
16 election. In addition, the cooperative may file an  
17 amended return or returns, as allowed under this Act,  
18 to provide that the election shall be effective for  
19 losses incurred or carried forward for taxable years  
20 occurring prior to the date of the election. Once made,  
21 the election may only be revoked upon approval of the  
22 Director. The Department shall adopt rules setting  
23 forth requirements for documenting the elections and  
24 any resulting Illinois net loss and the standards to be  
25 used by the Director in evaluating requests to revoke  
26 elections. Public Act 96-932 ~~This amendatory Act of the~~

1 ~~96th General Assembly~~ is declaratory of existing law;

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

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

25 (3) Recapture of business expenses on disposition of  
26 asset or business. Notwithstanding any other law to the

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

16          (f) Valuation limitation amount.

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

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

25                         (B) The lesser of (i) the sum of the pre-August 1,

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

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

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

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

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

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

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

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

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

1 eff. 6-21-10; 96-1214, eff. 7-22-10; revised 9-16-10.)

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