

HB2657



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB2657

Introduced 2/21/2013, by Rep. Rich Brauer

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction in an amount not to exceed \$1,000 for individual taxpayers who are members in good standing of a volunteer fire department or fire protection district during the entire taxable year and who have completed a Basic Firefighter Certification Program through the Office of the State Fire Marshal. Effective immediately.

LRB098 08167 HLH 38263 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 subparagraph (E) are
21 exempt from the provisions of Section 250;

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

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

7 (G) The valuation limitation amount;

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

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

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

24 (K) An amount equal to those dividends included in
25 such total that were paid by a corporation that
26 conducts business operations in a federally designated

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

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

12 (M) With the exception of any amounts subtracted
13 under subparagraph (N), an amount equal to the sum of
14 all amounts disallowed as deductions by (i) Sections
15 171(a) (2), and 265(2) of the Internal Revenue Code,
16 and all amounts of expenses allocable to interest and
17 disallowed as deductions by Section 265(1) of the
18 Internal Revenue Code; and (ii) for taxable years
19 ending on or after August 13, 1999, Sections 171(a) (2),
20 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
21 Code, plus, for taxable years ending on or after
22 December 31, 2011, Section 45G(e) (3) of the Internal
23 Revenue Code and, for taxable years ending on or after
24 December 31, 2008, any amount included in gross income
25 under Section 87 of the Internal Revenue Code; the
26 provisions of this subparagraph are exempt from the

1 provisions of Section 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 or of any itemized deduction
19 taken from adjusted gross income in the computation of
20 taxable income for restoration of substantial amounts
21 held under claim of right for the taxable year;

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

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

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

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

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

24 (V) Beginning with tax years ending on or after
25 December 31, 1995 and ending with tax years ending on
26 or before December 31, 2004, an amount equal to the

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

25 (W) For taxable years beginning on or after January
26 1, 1998, all amounts included in the taxpayer's federal

1 gross income in the taxable year from amounts converted
2 from a regular IRA to a Roth IRA. This paragraph is
3 exempt from the provisions of Section 250;

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

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

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

1 of this subparagraph, contributions made by an
2 employer on behalf of an employee, or matching
3 contributions made by an employee, shall be treated as
4 made by the employee. This subparagraph (Y) is exempt
5 from the provisions of Section 250;

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

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

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

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

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied by
3 0.429); and

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

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

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

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 required in any taxable year to make an addition
26 modification under subparagraph (D-15), then an amount

1 equal to that addition modification.

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

5 This subparagraph (AA) is exempt from the
6 provisions of Section 250;

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

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

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

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

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

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

22 (GG) For taxable years ending on or after December
23 31, 2011, in the case of a taxpayer who was required to
24 add back any insurance premiums under Section
25 203(a)(2)(D-19), such taxpayer may elect to subtract
26 that part of a reimbursement received from the

1 insurance company equal to the amount of the expense or
2 loss (including expenses incurred by the insurance
3 company) that would have been taken into account as a
4 deduction for federal income tax purposes if the
5 expense or loss had been uninsured. If a taxpayer makes
6 the election provided for by this subparagraph (GG),
7 the insurer to which the premiums were paid must add
8 back to income the amount subtracted by the taxpayer
9 pursuant to this subparagraph (GG). This subparagraph
10 (GG) is exempt from the provisions of Section 250; and

11 -

12 (HH) For taxable years ending on or after December
13 31, 2013, if the taxpayer was a member in good standing
14 of a volunteer fire department or fire protection
15 district during the entire taxable year, and if the
16 taxpayer has completed a Basic Firefighter
17 Certification Program through the Office of the State
18 Fire Marshal during that taxable year or any previous
19 taxable year, an amount not to exceed \$1,000; this
20 subparagraph (HH) is exempt from the provisions of
21 Section 250.

22 (b) Corporations.

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

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

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

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

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

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

26 (E) For taxable years in which a net operating loss

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

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

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

23 For taxable years in which there is a net operating
24 loss carryback or carryforward from more than one other
25 taxable year ending prior to December 31, 1986, the
26 addition modification provided in this subparagraph

1 (E) shall be the sum of the amounts computed
2 independently under the preceding provisions of this
3 subparagraph (E) for each such taxable year;

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

9 (E-10) 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 (E-11) 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 (E-10), then
18 an amount equal to the aggregate amount of the
19 deductions taken in all taxable years under
20 subparagraph (T) 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 (T), 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 (E-12) 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;

24 (E-13) 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(b)(2)(E-12) 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 (E-14) For taxable years ending on or after
7 December 31, 2008, an amount equal to the amount of
8 insurance premium expenses and costs otherwise allowed
9 as a deduction in computing base income, and that were
10 paid, accrued, or incurred, directly or indirectly, to
11 a 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(b) (2) (E-12) or
5 Section 203(b) (2) (E-13) of this Act;

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

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

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

22 (H) In the case of a regulated investment company,
23 an amount equal to the amount of exempt interest
24 dividends as defined in subsection (b) (5) of Section
25 852 of the Internal Revenue Code, paid to shareholders
26 for the taxable year;

1 (I) With the exception of any amounts subtracted
2 under subparagraph (J), an amount equal to the sum of
3 all amounts disallowed as deductions by (i) Sections
4 171(a) (2), and 265(a)(2) and amounts disallowed as
5 interest expense by Section 291(a)(3) of the Internal
6 Revenue Code, and all amounts of expenses allocable to
7 interest and disallowed as deductions by Section
8 265(a)(1) of the Internal Revenue Code; and (ii) for
9 taxable years ending on or after August 13, 1999,
10 Sections 171(a)(2), 265, 280C, 291(a)(3), and
11 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
12 for tax years ending on or after December 31, 2011,
13 amounts disallowed as deductions by Section 45G(e)(3)
14 of the Internal Revenue Code and, for taxable years
15 ending on or after December 31, 2008, any amount
16 included in gross income under Section 87 of the
17 Internal Revenue Code and the policyholders' share of
18 tax-exempt interest of a life insurance company under
19 Section 807(a)(2)(B) of the Internal Revenue Code (in
20 the case of a life insurance company with gross income
21 from a decrease in reserves for the tax year) or
22 Section 807(b)(1)(B) of the Internal Revenue Code (in
23 the case of a life insurance company allowed a
24 deduction for an increase in reserves for the tax
25 year); the provisions of this subparagraph are exempt
26 from the 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 a River Edge
13 Redevelopment Zone or zones created under the River
14 Edge Redevelopment Zone Act and conducts substantially
15 all of its operations in a River Edge Redevelopment
16 Zone or zones. This subparagraph (K) is exempt from the
17 provisions of Section 250;

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

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

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

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

22 (N) Two times any contribution made during the
23 taxable year to a designated zone organization to the
24 extent that the contribution (i) qualifies as a
25 charitable contribution under subsection (c) of
26 Section 170 of the Internal Revenue Code and (ii) must,

1 by its terms, be used for a project approved by the
2 Department of Commerce and Economic Opportunity under
3 Section 11 of the Illinois Enterprise Zone Act or under
4 Section 10-10 of the River Edge Redevelopment Zone Act.
5 This subparagraph (N) is exempt from the provisions of
6 Section 250;

7 (O) An amount equal to: (i) 85% for taxable years
8 ending on or before December 31, 1992, or, a percentage
9 equal to the percentage allowable under Section
10 243(a)(1) of the Internal Revenue Code of 1986 for
11 taxable years ending after December 31, 1992, of the
12 amount by which dividends included in taxable income
13 and received from a corporation that is not created or
14 organized under the laws of the United States or any
15 state or political subdivision thereof, including, for
16 taxable years ending on or after December 31, 1988,
17 dividends received or deemed received or paid or deemed
18 paid under Sections 951 through 965 of the Internal
19 Revenue Code, exceed the amount of the modification
20 provided under subparagraph (G) of paragraph (2) of
21 this subsection (b) which is related to such dividends,
22 and including, for taxable years ending on or after
23 December 31, 2008, dividends received from a captive
24 real estate investment trust; plus (ii) 100% of the
25 amount by which dividends, included in taxable income
26 and received, including, for taxable years ending on or

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

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

18 (Q) An amount equal to the amount of the deduction
19 used to compute the federal income tax credit for
20 restoration of substantial amounts held under claim of
21 right for the taxable year pursuant to Section 1341 of
22 the Internal Revenue Code;

23 (R) On and after July 20, 1999, in the case of an
24 attorney-in-fact with respect to whom an interinsurer
25 or a reciprocal insurer has made the election under
26 Section 835 of the Internal Revenue Code, 26 U.S.C.

1 835, an amount equal to the excess, if any, of the
2 amounts paid or incurred by that interinsurer or
3 reciprocal insurer in the taxable year to the
4 attorney-in-fact over the deduction allowed to that
5 interinsurer or reciprocal insurer with respect to the
6 attorney-in-fact under Section 835(b) of the Internal
7 Revenue Code for the taxable year; the provisions of
8 this subparagraph are exempt from the provisions of
9 Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
2 the amount of such addition modification, (ii) any
3 income from intangible property (net of the deductions
4 allocable thereto) taken into account for the taxable
5 year with respect to a transaction with a taxpayer that
6 is required to make an addition modification with
7 respect to such transaction under Section
8 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
9 203(d)(2)(D-8), but not to exceed the amount of such
10 addition modification, and (iii) any insurance premium
11 income (net of deductions allocable thereto) taken
12 into account for the taxable year with respect to a
13 transaction with a taxpayer that is required to make an
14 addition modification with respect to such transaction
15 under Section 203(a)(2)(D-19), Section
16 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
17 203(d)(2)(D-9), but not to exceed the amount of that
18 addition modification. This subparagraph (V) is exempt
19 from the provisions of Section 250;

20 (W) 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(b)(2)(E-12) for
11 interest paid, accrued, or incurred, directly or
12 indirectly, to the same person. This subparagraph (W)
13 is exempt from the provisions of Section 250;

14 (X) 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(b)(2)(E-13) for
5 intangible expenses and costs paid, accrued, or
6 incurred, directly or indirectly, to the same foreign
7 person. This subparagraph (X) is exempt from the
8 provisions of Section 250;

9 (Y) For taxable years ending on or after December
10 31, 2011, in the case of a taxpayer who was required to
11 add back any insurance premiums under Section
12 203(b)(2)(E-14), such taxpayer may elect to subtract
13 that part of a reimbursement received from the
14 insurance company equal to the amount of the expense or
15 loss (including expenses incurred by the insurance
16 company) that would have been taken into account as a
17 deduction for federal income tax purposes if the
18 expense or loss had been uninsured. If a taxpayer makes
19 the election provided for by this subparagraph (Y), the
20 insurer to which the premiums were paid must add back
21 to income the amount subtracted by the taxpayer
22 pursuant to this subparagraph (Y). This subparagraph
23 (Y) is exempt from the provisions of Section 250; and

24 (Z) The difference between the nondeductible
25 controlled foreign corporation dividends under Section
26 965(e)(3) of the Internal Revenue Code over the taxable

1 income of the taxpayer, computed without regard to
2 Section 965(e)(2)(A) of the Internal Revenue Code, and
3 without regard to any net operating loss deduction.
4 This subparagraph (Z) is exempt from the provisions of
5 Section 250.

6 (3) Special rule. For purposes of paragraph (2) (A),
7 "gross income" in the case of a life insurance company, for
8 tax years ending on and after December 31, 1994, and prior
9 to December 31, 2011, shall mean the gross investment
10 income for the taxable year and, for tax years ending on or
11 after December 31, 2011, shall mean all amounts included in
12 life insurance gross income under Section 803(a)(3) of the
13 Internal Revenue Code.

14 (c) Trusts and estates.

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

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

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

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

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

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

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

24 (i) the addition modification relating to the
25 net operating loss carried back or forward to the
26 taxable year from any taxable year ending prior to

1 December 31, 1986 shall be reduced by the amount of
2 addition modification under this subparagraph (E)
3 which related to that net operating loss and which
4 was taken into account in calculating the base
5 income of an earlier taxable year, and

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

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

18 (F) For taxable years ending on or after January 1,
19 1989, an amount equal to the tax deducted pursuant to
20 Section 164 of the Internal Revenue Code if the trust
21 or estate is claiming the same tax for purposes of the
22 Illinois foreign tax credit under Section 601 of this
23 Act;

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

1 computation of taxable income;

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

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

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

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

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

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

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

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

15 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

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

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

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

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

8 and by deducting from the total so obtained the sum of the
9 following amounts:

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

21 (I) The valuation limitation amount;

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

25 (K) An amount equal to all amounts included in
26 taxable income as modified by subparagraphs (A), (B),

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

10 (L) With the exception of any amounts subtracted
11 under subparagraph (K), an amount equal to the sum of
12 all amounts disallowed as deductions by (i) Sections
13 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
14 and all amounts of expenses allocable to interest and
15 disallowed as deductions by Section 265(1) of the
16 Internal Revenue Code; and (ii) for taxable years
17 ending on or after August 13, 1999, Sections 171(a) (2),
18 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
19 Code, plus, (iii) for taxable years ending on or after
20 December 31, 2011, Section 45G(e) (3) of the Internal
21 Revenue Code and, for taxable years ending on or after
22 December 31, 2008, any amount included in gross income
23 under Section 87 of the Internal Revenue Code; the
24 provisions of this subparagraph are exempt from the
25 provisions of Section 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 a River Edge
3 Redevelopment Zone or zones created under the River
4 Edge Redevelopment Zone Act and conducts substantially
5 all of its operations in a River Edge Redevelopment
6 Zone or zones. This subparagraph (M) is exempt from the
7 provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied by
3 0.429); and

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

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

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

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 required in any taxable year to make an addition
26 modification under subparagraph (G-10), then an amount

1 equal to that addition modification.

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

5 This subparagraph (S) is exempt from the
6 provisions of Section 250;

7 (T) 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 such 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 such
22 addition modification. This subparagraph (T) is exempt
23 from the provisions of Section 250;

24 (U) 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 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(c)(2)(G-12) for
15 interest paid, accrued, or incurred, directly or
16 indirectly, to the same person. This subparagraph (U)
17 is exempt from the provisions of Section 250;

18 (V) 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(c)(2)(G-13) for
9 intangible expenses and costs paid, accrued, or
10 incurred, directly or indirectly, to the same foreign
11 person. This subparagraph (V) is exempt from the
12 provisions of Section 250;

13 (W) in the case of an estate, an amount equal to
14 all amounts included in such total pursuant to the
15 provisions of Section 111 of the Internal Revenue Code
16 as a recovery of items previously deducted by the
17 decedent from adjusted gross income in the computation
18 of taxable income. This subparagraph (W) is exempt from
19 Section 250;

20 (X) an amount equal to the refund included in such
21 total of any tax deducted for federal income tax
22 purposes, to the extent that deduction was added back
23 under subparagraph (F). This subparagraph (X) is
24 exempt from the provisions of Section 250; and

25 (Y) For taxable years ending on or after December
26 31, 2011, in the case of a taxpayer who was required to

1 add back any insurance premiums under Section
2 203(c)(2)(G-14), such taxpayer may elect to subtract
3 that part of a reimbursement received from the
4 insurance company equal to the amount of the expense or
5 loss (including expenses incurred by the insurance
6 company) that would have been taken into account as a
7 deduction for federal income tax purposes if the
8 expense or loss had been uninsured. If a taxpayer makes
9 the election provided for by this subparagraph (Y), the
10 insurer to which the premiums were paid must add back
11 to income the amount subtracted by the taxpayer
12 pursuant to this subparagraph (Y). This subparagraph
13 (Y) is exempt from the provisions of Section 250.

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

21 (d) Partnerships.

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

25 (2) Modifications. The taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum
2 of the following amounts:

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

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

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

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

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

22 (D-6) If the taxpayer sells, transfers, abandons,
23 or otherwise disposes of property for which the
24 taxpayer was required in any taxable year to make an
25 addition modification under subparagraph (D-5), then
26 an amount equal to the aggregate amount of the

1 deductions taken in all taxable years under
2 subparagraph (O) with respect to that property.

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

10 The taxpayer is required to make the addition
11 modification under this subparagraph only once with
12 respect to any one piece of property;

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

14 This paragraph shall not apply to the following:

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

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

26 (a) the person, during the same taxable

1 year, paid, accrued, or incurred, the interest
2 to a person that is not a related member, and

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

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

16 (iv) an item of interest paid, accrued, or
17 incurred, directly or indirectly, to a person if
18 the taxpayer establishes by clear and convincing
19 evidence that the adjustments are unreasonable; or
20 if the taxpayer and the Director agree in writing
21 to the application or use of an alternative method
22 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; and

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

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

25 This paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

23 (iii) any item of intangible expense or cost
24 paid, accrued, or incurred, directly or
25 indirectly, from a transaction with a person if the
26 taxpayer establishes by clear and convincing

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

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

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

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

14 (D-10) An amount equal to the credit allowable to
15 the taxpayer under Section 218(a) of this Act,
16 determined without regard to Section 218(c) of this
17 Act;

18 and by deducting from the total so obtained the following
19 amounts:

20 (E) The valuation limitation amount;

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

24 (G) An amount equal to all amounts included in
25 taxable income as modified by subparagraphs (A), (B),
26 (C) and (D) which are exempt from taxation by this

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

8 (H) Any income of the partnership which
9 constitutes personal service income as defined in
10 Section 1348 (b) (1) of the Internal Revenue Code (as
11 in effect December 31, 1981) or a reasonable allowance
12 for compensation paid or accrued for services rendered
13 by partners to the partnership, whichever is greater;
14 this subparagraph (H) is exempt from the provisions of
15 Section 250;

16 (I) An amount equal to all amounts of income
17 distributable to an entity subject to the Personal
18 Property Tax Replacement Income Tax imposed by
19 subsections (c) and (d) of Section 201 of this Act
20 including amounts distributable to organizations
21 exempt from federal income tax by reason of Section
22 501(a) of the Internal Revenue Code; this subparagraph
23 (I) is exempt from the provisions of Section 250;

24 (J) With the exception of any amounts subtracted
25 under subparagraph (G), an amount equal to the sum of
26 all amounts disallowed as deductions by (i) Sections

1 171(a) (2), and 265(2) of the Internal Revenue Code,
2 and all amounts of expenses allocable to interest and
3 disallowed as deductions by Section 265(1) of the
4 Internal Revenue Code; and (ii) for taxable years
5 ending on or after August 13, 1999, Sections 171(a) (2),
6 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
7 Code, plus, (iii) for taxable years ending on or after
8 December 31, 2011, Section 45G(e) (3) of the Internal
9 Revenue Code and, for taxable years ending on or after
10 December 31, 2008, any amount included in gross income
11 under Section 87 of the Internal Revenue Code; the
12 provisions of this subparagraph are exempt from the
13 provisions of Section 250;

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

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

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

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

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

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

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

26 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30
2 and then divided by 70 (or "y" multiplied by
3 0.429); and

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

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

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

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

23 (P) If the taxpayer sells, transfers, abandons, or
24 otherwise disposes of property for which the taxpayer
25 was required in any taxable year to make an addition
26 modification under subparagraph (D-5), then an amount

1 equal to that addition modification.

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

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

12 This subparagraph (P) is exempt from the
13 provisions of Section 250;

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

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

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

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

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

19 (T) For taxable years ending on or after December
20 31, 2011, in the case of a taxpayer who was required to
21 add back any insurance premiums under Section
22 203(d)(2)(D-9), such taxpayer may elect to subtract
23 that part of a reimbursement received from the
24 insurance company equal to the amount of the expense or
25 loss (including expenses incurred by the insurance
26 company) that would have been taken into account as a

1 deduction for federal income tax purposes if the
2 expense or loss had been uninsured. If a taxpayer makes
3 the election provided for by this subparagraph (T), the
4 insurer to which the premiums were paid must add back
5 to income the amount subtracted by the taxpayer
6 pursuant to this subparagraph (T). This subparagraph
7 (T) is exempt from the provisions of 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 is declaratory of

1 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. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
21 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
22 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
23 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
24 eff. 8-23-11; 97-905, eff. 8-7-12.)

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