



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB0295

by Rep. William Davis

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203	from Ch. 120, par. 2-203
35 ILCS 5/901	from Ch. 120, par. 9-901
35 ILCS 5/1501	from Ch. 120, par. 15-1501
30 ILCS 105/5.866 new	
30 ILCS 105/6z-101 new	

Amends the Illinois Income Tax Act. Creates an addition modification in an amount equal to the deduction for qualified domestic production activities allowed under Section 199 of the Internal Revenue Code for the taxable year. Makes changes concerning the definition of "unitary business group". Provides that moneys attributable to those changes shall be deposited into the Bill Payment Trust Fund. Provides that moneys in the Fund shall be used to make payments to certain bona fide creditors of the State. Amends the State Finance Act to create the Fund. Effective immediately.

LRB099 04263 HLH 24287 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 Sections 203, 901, and 1501 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 (D-24) For taxable years ending on or after
16 December 31, 2015, an amount equal to the deduction
17 allowed under Section 199 of the Internal Revenue Code
18 for the taxable year;

19 and by deducting from the total so obtained the sum of the
20 following amounts:

21 (E) For taxable years ending before December 31,
22 2001, any amount included in such total in respect of
23 any compensation (including but not limited to any
24 compensation paid or accrued to a serviceman while a
25 prisoner of war or missing in action) paid to a
26 resident by reason of being on active duty in the Armed

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

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

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

11 (G) The valuation limitation amount;

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

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

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

1 exempt from the provisions of Section 250;

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

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

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

1 Revenue Code and, for taxable years ending on or after
2 December 31, 2008, any amount included in gross income
3 under Section 87 of the Internal Revenue Code; the
4 provisions of this subparagraph are exempt from the
5 provisions of Section 250;

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

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

18 (P) 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 or of any itemized deduction
23 taken from adjusted gross income in the computation of
24 taxable income for restoration of substantial amounts
25 held under claim of right for the taxable year;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 31, 2011, in the case of a taxpayer who was required to
2 add back any insurance premiums under Section
3 203(a)(2)(D-19), such taxpayer may elect to subtract
4 that part of a reimbursement received from the
5 insurance company equal to the amount of the expense or
6 loss (including expenses incurred by the insurance
7 company) that would have been taken into account as a
8 deduction for federal income tax purposes if the
9 expense or loss had been uninsured. If a taxpayer makes
10 the election provided for by this subparagraph (GG),
11 the insurer to which the premiums were paid must add
12 back to income the amount subtracted by the taxpayer
13 pursuant to this subparagraph (GG). This subparagraph
14 (GG) is exempt from the provisions of Section 250.

15 (b) Corporations.

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

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

22 (A) An amount equal to all amounts paid or accrued
23 to the taxpayer as interest and all distributions
24 received from regulated investment companies during
25 the taxable year to the extent excluded from gross

1 income in the computation of taxable income;

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

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

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

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

1 year, with the following limitations applied in the
2 order that they are listed:

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

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

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

23 (E-5) For taxable years ending after December 31,
24 1997, an amount equal to any eligible remediation costs
25 that the corporation deducted in computing adjusted
26 gross income and for which the corporation claims a

1 credit under subsection (l) of Section 201;

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

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

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

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

24 (E-12) An amount equal to the amount otherwise
25 allowed as a deduction in computing base income for
26 interest paid, accrued, or incurred, directly or

1 indirectly, (i) for taxable years ending on or after
2 December 31, 2004, to a foreign person who would be a
3 member of the same unitary business group but for the
4 fact the foreign person's business activity outside
5 the United States is 80% or more of the foreign
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. The addition modification
14 required by this subparagraph shall be reduced to the
15 extent that dividends were included in base income of
16 the unitary group for the same taxable year and
17 received by the taxpayer or by a member of the
18 taxpayer's unitary business group (including amounts
19 included in gross income pursuant to Sections 951
20 through 964 of the Internal Revenue Code and amounts
21 included in gross income under Section 78 of the
22 Internal Revenue Code) with respect to the stock of the
23 same person to whom the interest was paid, accrued, or
24 incurred.

25 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

10 This paragraph shall not apply to the following:

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

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

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

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

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

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

25 (E-14) For taxable years ending on or after
26 December 31, 2008, an amount equal to the amount of

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

25 (E-15) For taxable years beginning after December
26 31, 2008, any deduction for dividends paid by a captive

1 real estate investment trust that is allowed to a real
2 estate investment trust under Section 857(b)(2)(B) of
3 the Internal Revenue Code for dividends paid;

4 (E-16) 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 (E-17) For taxable years ending on or after
9 December 31, 2015, an amount equal to the deduction
10 allowed under Section 199 of the Internal Revenue Code
11 for the taxable year;

12 (E-18) For taxable years ending on or after
13 December 31, 2015, any deduction allowed to the
14 taxpayer under Sections 243 through 246A of the
15 Internal Revenue Code;

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

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

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

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

1 for the taxable year;

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

1 from the provisions of Section 250;

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

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

1 this subparagraph (L);

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

24 (M-1) For any taxpayer that is a financial
25 organization within the meaning of Section 304(c) of
26 this Act, an amount included in such total as interest

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

23 (N) Two times any contribution made during the
24 taxable year to a designated zone organization to the
25 extent that the contribution (i) qualifies as a
26 charitable contribution under subsection (c) of

1 Section 170 of the Internal Revenue Code and (ii) must,
2 by its terms, be used for a project approved by the
3 Department of Commerce and Economic Opportunity under
4 Section 11 of the Illinois Enterprise Zone Act or under
5 Section 10-10 of the River Edge Redevelopment Zone Act.
6 This subparagraph (N) is exempt from the provisions of
7 Section 250;

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

1 and received, including, for taxable years ending on or
2 after December 31, 1988, dividends received or deemed
3 received or paid or deemed paid under Sections 951
4 through 964 of the Internal Revenue Code and including,
5 for taxable years ending on or after December 31, 2008,
6 dividends received from a captive real estate
7 investment trust, from any such corporation specified
8 in clause (i) that would but for the provisions of
9 Section 1504 (b) (3) of the Internal Revenue Code be
10 treated as a member of the affiliated group which
11 includes the dividend recipient, exceed the amount of
12 the modification provided under subparagraph (G) of
13 paragraph (2) of this subsection (b) which is related
14 to such dividends. This subparagraph (O) shall not
15 apply to taxable years ending on or after December 31,
16 2015 is exempt from the provisions of Section 250 of
17 this Act;

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

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

26 (R) On and after July 20, 1999, in the case of an

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

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

23 (T) For taxable years 2001 and thereafter, for the
24 taxable year in which the bonus depreciation deduction
25 is taken on the taxpayer's federal income tax return
26 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year
2 thereafter, an amount equal to "x", where:

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

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

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

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

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

25 The aggregate amount deducted under this
26 subparagraph in all taxable years for any one piece of

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

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

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

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

22 This subparagraph (U) is exempt from the
23 provisions of Section 250;

24 (V) The amount of: (i) any interest income (net of
25 the deductions allocable thereto) taken into account
26 for the taxable year with respect to a transaction with

1 a taxpayer that is required to make an addition
2 modification with respect to such transaction under
3 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
4 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
5 the amount of such addition modification, (ii) any
6 income from intangible property (net of the deductions
7 allocable thereto) taken into account for the taxable
8 year with respect to a transaction with a taxpayer that
9 is required to make an addition modification with
10 respect to such transaction under Section
11 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
12 203(d)(2)(D-8), but not to exceed the amount of such
13 addition modification, and (iii) any insurance premium
14 income (net of deductions allocable thereto) taken
15 into account for the taxable year with respect to a
16 transaction with a taxpayer that is required to make an
17 addition modification with respect to such transaction
18 under Section 203(a)(2)(D-19), Section
19 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
20 203(d)(2)(D-9), but not to exceed the amount of that
21 addition modification. This subparagraph (V) is exempt
22 from the provisions of Section 250;

23 (W) An amount equal to the interest income taken
24 into account for the taxable year (net of the
25 deductions allocable thereto) with respect to
26 transactions with (i) a foreign person who would be a

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

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

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

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

1 (Z) The difference between the nondeductible
2 controlled foreign corporation dividends under Section
3 965(e)(3) of the Internal Revenue Code over the taxable
4 income of the taxpayer, computed without regard to
5 Section 965(e)(2)(A) of the Internal Revenue Code, and
6 without regard to any net operating loss deduction.
7 This subparagraph (Z) is exempt from the provisions of
8 Section 250.

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

17 (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

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

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

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

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

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

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

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

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

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

11 (G-16) For taxable years ending on or after
12 December 31, 2015, an amount equal to the deduction
13 allowed under Section 199 of the Internal Revenue Code
14 for the taxable year;

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

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

1 thereto;

2 (I) The valuation limitation amount;

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

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

17 (L) With the exception of any amounts subtracted
18 under subparagraph (K), an amount equal to the sum of
19 all amounts disallowed as deductions by (i) Sections
20 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
21 and all amounts of expenses allocable to interest and
22 disallowed as deductions by Section 265(1) of the
23 Internal Revenue Code; and (ii) for taxable years
24 ending on or after August 13, 1999, Sections 171(a) (2),
25 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
26 Code, plus, (iii) for taxable years ending on or after

1 December 31, 2011, Section 45G(e)(3) of the Internal
2 Revenue Code and, for taxable years ending on or after
3 December 31, 2008, any amount included in gross income
4 under Section 87 of the Internal Revenue Code; the
5 provisions of this subparagraph are exempt from the
6 provisions of Section 250;

7 (M) An amount equal to those dividends included in
8 such total which were paid by a corporation which
9 conducts business operations in a River Edge
10 Redevelopment Zone or zones created under the River
11 Edge Redevelopment Zone Act and conducts substantially
12 all of its operations in a River Edge Redevelopment
13 Zone or zones. This subparagraph (M) is exempt from the
14 provisions of Section 250;

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

18 (O) 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 (M) of paragraph (2) of this subsection
25 shall not be eligible for the deduction provided under
26 this subparagraph (O);

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

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

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

13 (R) 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 (R) is exempt from the provisions of
22 Section 250;

23 (S) 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 (G-10), 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 (G-10), 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 (S) is exempt from the
13 provisions of Section 250;

14 (T) 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 (T) is exempt
4 from the provisions of Section 250;

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

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

20 (W) in the case of an estate, an amount equal to
21 all amounts included in such total pursuant to the
22 provisions of Section 111 of the Internal Revenue Code
23 as a recovery of items previously deducted by the
24 decedent from adjusted gross income in the computation
25 of taxable income. This subparagraph (W) is exempt from
26 Section 250;

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

6 (Y) For taxable years ending on or after December
7 31, 2011, in the case of a taxpayer who was required to
8 add back any insurance premiums under Section
9 203(c)(2)(G-14), such taxpayer may elect to subtract
10 that part of a reimbursement received from the
11 insurance company equal to the amount of the expense or
12 loss (including expenses incurred by the insurance
13 company) that would have been taken into account as a
14 deduction for federal income tax purposes if the
15 expense or loss had been uninsured. If a taxpayer makes
16 the election provided for by this subparagraph (Y), the
17 insurer to which the premiums were paid must add back
18 to income the amount subtracted by the taxpayer
19 pursuant to this subparagraph (Y). This subparagraph
20 (Y) is exempt from the provisions of Section 250.

21 (3) Limitation. The amount of any modification
22 otherwise required under this subsection shall, under
23 regulations prescribed by the Department, be adjusted by
24 any amounts included therein which were properly paid,
25 credited, or required to be distributed, or permanently set
26 aside for charitable purposes pursuant to Internal Revenue

1 Code Section 642(c) during the taxable year.

2 (d) Partnerships.

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

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

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

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

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

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

23 (D-5) For taxable years 2001 and thereafter, an
24 amount equal to the bonus depreciation deduction taken
25 on the taxpayer's federal income tax return for the

1 taxable year under subsection (k) of Section 168 of the
2 Internal Revenue Code;

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

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

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

20 (D-7) An amount equal to the amount otherwise
21 allowed as a deduction in computing base income for
22 interest paid, accrued, or incurred, directly or
23 indirectly, (i) for taxable years ending on or after
24 December 31, 2004, to a foreign person who would be a
25 member of the same unitary business group but for the
26 fact the foreign person's business activity outside

1 the United States is 80% or more of the foreign
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. The addition modification
10 required by this subparagraph shall be reduced to the
11 extent that dividends were included in base income of
12 the unitary group for the same taxable year and
13 received by the taxpayer or by a member of the
14 taxpayer's unitary business group (including amounts
15 included in gross income pursuant to Sections 951
16 through 964 of the Internal Revenue Code and amounts
17 included in gross income under Section 78 of the
18 Internal Revenue Code) with respect to the stock of the
19 same person to whom the interest was paid, accrued, or
20 incurred.

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

23 (iv) an item of interest paid, accrued, or
24 incurred, directly or indirectly, to a person if
25 the taxpayer establishes by clear and convincing
26 evidence that the adjustments are unreasonable; or

1 if the taxpayer and the Director agree in writing
2 to the application or use of an alternative method
3 of apportionment under Section 304(f).

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

13 (D-8) An amount equal to the amount of intangible
14 expenses and costs otherwise allowed as a deduction in
15 computing base income, and that were paid, accrued, or
16 incurred, directly or indirectly, (i) for taxable
17 years ending on or after December 31, 2004, to a
18 foreign person who would be a member of the same
19 unitary business group but for the fact that the
20 foreign person's business activity outside the United
21 States is 80% or more of that person's total business
22 activity and (ii) for taxable years ending on or after
23 December 31, 2008, to a person who would be a member of
24 the same unitary business group but for the fact that
25 the person is prohibited under Section 1501(a)(27)
26 from being included in the unitary business group

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

1 similar expenses and costs. For purposes of this
2 subparagraph, "intangible property" includes patents,
3 patent applications, trade names, trademarks, service
4 marks, copyrights, mask works, trade secrets, and
5 similar types of intangible assets;

6 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the
24 intangible expense or cost between the
25 taxpayer and the person did not have as a
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract
2 or agreement that reflects arm's-length terms;
3 or

4 (iii) any item of intangible expense or cost
5 paid, accrued, or incurred, directly or
6 indirectly, from a transaction with a person if the
7 taxpayer establishes by clear and convincing
8 evidence, that the adjustments are unreasonable;
9 or if the taxpayer and the Director agree in
10 writing to the application or use of an alternative
11 method 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-9) For taxable years ending on or after December
22 31, 2008, an amount equal to the amount of insurance
23 premium expenses and costs otherwise allowed as a
24 deduction in computing base income, and that were paid,
25 accrued, or incurred, directly or indirectly, to a
26 person who would be a member of the same unitary

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

21 (D-10) An amount equal to the credit allowable to
22 the taxpayer under Section 218(a) of this Act,
23 determined without regard to Section 218(c) of this
24 Act;

25 (D-11) For taxable years ending on or after
26 December 31, 2015, an amount equal to the deduction

1 allowed under Section 199 of the Internal Revenue Code
2 for the taxable year;

3 and by deducting from the total so obtained the following
4 amounts:

5 (E) The valuation limitation amount;

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

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

19 (H) Any income of the partnership which
20 constitutes personal service income as defined in
21 Section 1348 (b) (1) of the Internal Revenue Code (as
22 in effect December 31, 1981) or a reasonable allowance
23 for compensation paid or accrued for services rendered
24 by partners to the partnership, whichever is greater;
25 this subparagraph (H) is exempt from the provisions of
26 Section 250;

1 (I) An amount equal to all amounts of income
2 distributable to an entity subject to the Personal
3 Property Tax Replacement Income Tax imposed by
4 subsections (c) and (d) of Section 201 of this Act
5 including amounts distributable to organizations
6 exempt from federal income tax by reason of Section
7 501(a) of the Internal Revenue Code; this subparagraph
8 (I) is exempt from the provisions of Section 250;

9 (J) With the exception of any amounts subtracted
10 under subparagraph (G), an amount equal to the sum of
11 all amounts disallowed as deductions by (i) Sections
12 171(a) (2), and 265(2) of the Internal Revenue Code,
13 and all amounts of expenses allocable to interest and
14 disallowed as deductions by Section 265(1) of the
15 Internal Revenue Code; and (ii) for taxable years
16 ending on or after August 13, 1999, Sections 171(a) (2),
17 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
18 Code, plus, (iii) for taxable years ending on or after
19 December 31, 2011, Section 45G(e) (3) of the Internal
20 Revenue Code and, for taxable years ending on or after
21 December 31, 2008, any amount included in gross income
22 under Section 87 of the Internal Revenue Code; the
23 provisions of this subparagraph are exempt from the
24 provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

26 The aggregate amount deducted under this

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

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

13 If the taxpayer continues to own property through
14 the last day of the last tax year for which the
15 taxpayer may claim a depreciation deduction for
16 federal income tax purposes and for which the taxpayer
17 was required in any taxable year to make an addition
18 modification under subparagraph (D-5), then an amount
19 equal to that addition modification.

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

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

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

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

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

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

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

1 intangible expenses and costs paid, accrued, or
2 incurred, directly or indirectly, to the same person.

3 This subparagraph (S) is exempt from Section 250; and

4 (T) For taxable years ending on or after December
5 31, 2011, in the case of a taxpayer who was required to
6 add back any insurance premiums under Section
7 203(d) (2) (D-9), such taxpayer may elect to subtract
8 that part of a reimbursement received from the
9 insurance company equal to the amount of the expense or
10 loss (including expenses incurred by the insurance
11 company) that would have been taken into account as a
12 deduction for federal income tax purposes if the
13 expense or loss had been uninsured. If a taxpayer makes
14 the election provided for by this subparagraph (T), the
15 insurer to which the premiums were paid must add back
16 to income the amount subtracted by the taxpayer
17 pursuant to this subparagraph (T). This subparagraph
18 (T) is exempt from the provisions of Section 250.

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

20 (1) In general. Subject to the provisions of paragraph
21 (2) and subsection (b) (3), for purposes of this Section
22 and Section 803(e), a taxpayer's gross income, adjusted
23 gross income, or taxable income for the taxable year shall
24 mean the amount of gross income, adjusted gross income or
25 taxable income properly reportable for federal income tax

1 purposes for the taxable year under the provisions of the
2 Internal Revenue Code. Taxable income may be less than
3 zero. However, for taxable years ending on or after
4 December 31, 1986, net operating loss carryforwards from
5 taxable years ending prior to December 31, 1986, may not
6 exceed the sum of federal taxable income for the taxable
7 year before net operating loss deduction, plus the excess
8 of addition modifications over subtraction modifications
9 for the taxable year. For taxable years ending prior to
10 December 31, 1986, taxable income may never be an amount in
11 excess of the net operating loss for the taxable year as
12 defined in subsections (c) and (d) of Section 172 of the
13 Internal Revenue Code, provided that when taxable income of
14 a corporation (other than a Subchapter S corporation),
15 trust, or estate is less than zero and addition
16 modifications, other than those provided by subparagraph
17 (E) of paragraph (2) of subsection (b) for corporations or
18 subparagraph (E) of paragraph (2) of subsection (c) for
19 trusts and estates, exceed subtraction modifications, an
20 addition modification must be made under those
21 subparagraphs for any other taxable year to which the
22 taxable income less than zero (net operating loss) is
23 applied under Section 172 of the Internal Revenue Code or
24 under subparagraph (E) of paragraph (2) of this subsection
25 (e) applied in conjunction with Section 172 of the Internal
26 Revenue Code.

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

4 (A) Certain life insurance companies. In the case
5 of a life insurance company subject to the tax imposed
6 by Section 801 of the Internal Revenue Code, life
7 insurance company taxable income, plus the amount of
8 distribution from pre-1984 policyholder surplus
9 accounts as calculated under Section 815a of the
10 Internal Revenue Code;

11 (B) Certain other insurance companies. In the case
12 of mutual insurance companies subject to the tax
13 imposed by Section 831 of the Internal Revenue Code,
14 insurance company taxable income;

15 (C) Regulated investment companies. In the case of
16 a regulated investment company subject to the tax
17 imposed by Section 852 of the Internal Revenue Code,
18 investment company taxable income;

19 (D) Real estate investment trusts. In the case of a
20 real estate investment trust subject to the tax imposed
21 by Section 857 of the Internal Revenue Code, real
22 estate investment trust taxable income;

23 (E) Consolidated corporations. In the case of a
24 corporation which is a member of an affiliated group of
25 corporations filing a consolidated income tax return
26 for the taxable year for federal income tax purposes,

1 taxable income determined as if such corporation had
2 filed a separate return for federal income tax purposes
3 for the taxable year and each preceding taxable year
4 for which it was a member of an affiliated group. For
5 purposes of this subparagraph, the taxpayer's separate
6 taxable income shall be determined as if the election
7 provided by Section 243(b) (2) of the Internal Revenue
8 Code had been in effect for all such years;

9 (F) Cooperatives. In the case of a cooperative
10 corporation or association, the taxable income of such
11 organization determined in accordance with the
12 provisions of Section 1381 through 1388 of the Internal
13 Revenue Code, but without regard to the prohibition
14 against offsetting losses from patronage activities
15 against income from nonpatronage activities; except
16 that a cooperative corporation or association may make
17 an election to follow its federal income tax treatment
18 of patronage losses and nonpatronage losses. In the
19 event such election is made, such losses shall be
20 computed and carried over in a manner consistent with
21 subsection (a) of Section 207 of this Act and
22 apportioned by the apportionment factor reported by
23 the cooperative on its Illinois income tax return filed
24 for the taxable year in which the losses are incurred.
25 The election shall be effective for all taxable years
26 with original returns due on or after the date of the

1 election. In addition, the cooperative may file an
2 amended return or returns, as allowed under this Act,
3 to provide that the election shall be effective for
4 losses incurred or carried forward for taxable years
5 occurring prior to the date of the election. Once made,
6 the election may only be revoked upon approval of the
7 Director. The Department shall adopt rules setting
8 forth requirements for documenting the elections and
9 any resulting Illinois net loss and the standards to be
10 used by the Director in evaluating requests to revoke
11 elections. Public Act 96-932 is declaratory of
12 existing law;

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

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

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

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

1 (f) Valuation limitation amount.

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

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

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

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

19 (A) If the fair market value of property referred
20 to in paragraph (1) was readily ascertainable on August
21 1, 1969, the pre-August 1, 1969 appreciation amount for
22 such property is the lesser of (i) the excess of such
23 fair market value over the taxpayer's basis (for
24 determining gain) for such property on that date
25 (determined under the Internal Revenue Code as in

1 effect on that date), or (ii) the total gain realized
2 and reportable for federal income tax purposes in
3 respect of the sale, exchange or other disposition of
4 such property.

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

16 (C) The Department shall prescribe such
17 regulations as may be necessary to carry out the
18 purposes of this paragraph.

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

22 (h) Legislative intention. Except as expressly provided by
23 this Section there shall be no modifications or limitations on
24 the amounts of income, gain, loss or deduction taken into

1 account in determining gross income, adjusted gross income or
2 taxable income for federal income tax purposes for the taxable
3 year, or in the amount of such items entering into the
4 computation of base income and net income under this Act for
5 such taxable year, whether in respect of property values as of
6 August 1, 1969 or otherwise.

7 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
8 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
9 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
10 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
11 eff. 8-23-11; 97-905, eff. 8-7-12.)

12 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

13 Sec. 901. Collection authority.

14 (a) In general.

15 The Department shall collect the taxes imposed by this Act.
16 The Department shall collect certified past due child support
17 amounts under Section 2505-650 of the Department of Revenue Law
18 (20 ILCS 2505/2505-650). Except as provided in subsections (c),
19 (e), (f), (g), ~~and~~ (h), and (i) of this Section, money
20 collected pursuant to subsections (a) and (b) of Section 201 of
21 this Act shall be paid into the General Revenue Fund in the
22 State treasury; money collected pursuant to subsections (c) and
23 (d) of Section 201 of this Act shall be paid into the Personal
24 Property Tax Replacement Fund, a special fund in the State
25 Treasury; and money collected under Section 2505-650 of the

1 Department of Revenue Law (20 ILCS 2505/2505-650) shall be paid
2 into the Child Support Enforcement Trust Fund, a special fund
3 outside the State Treasury, or to the State Disbursement Unit
4 established under Section 10-26 of the Illinois Public Aid
5 Code, as directed by the Department of Healthcare and Family
6 Services.

7 (b) Local Government Distributive Fund.

8 Beginning August 1, 1969, and continuing through June 30,
9 1994, the Treasurer shall transfer each month from the General
10 Revenue Fund to a special fund in the State treasury, to be
11 known as the "Local Government Distributive Fund", an amount
12 equal to 1/12 of the net revenue realized from the tax imposed
13 by subsections (a) and (b) of Section 201 of this Act during
14 the preceding month. Beginning July 1, 1994, and continuing
15 through June 30, 1995, the Treasurer shall transfer each month
16 from the General Revenue Fund to the Local Government
17 Distributive Fund an amount equal to 1/11 of the net revenue
18 realized from the tax imposed by subsections (a) and (b) of
19 Section 201 of this Act during the preceding month. Beginning
20 July 1, 1995 and continuing through January 31, 2011, the
21 Treasurer shall transfer each month from the General Revenue
22 Fund to the Local Government Distributive Fund an amount equal
23 to the net of (i) 1/10 of the net revenue realized from the tax
24 imposed by subsections (a) and (b) of Section 201 of the
25 Illinois Income Tax Act during the preceding month (ii) minus,
26 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,

1 and beginning July 1, 2004, zero. Beginning February 1, 2011,
2 and continuing through January 31, 2015, the Treasurer shall
3 transfer each month from the General Revenue Fund to the Local
4 Government Distributive Fund an amount equal to the sum of (i)
5 6% (10% of the ratio of the 3% individual income tax rate prior
6 to 2011 to the 5% individual income tax rate after 2010) of the
7 net revenue realized from the tax imposed by subsections (a)
8 and (b) of Section 201 of this Act upon individuals, trusts,
9 and estates during the preceding month and (ii) 6.86% (10% of
10 the ratio of the 4.8% corporate income tax rate prior to 2011
11 to the 7% corporate income tax rate after 2010) of the net
12 revenue realized from the tax imposed by subsections (a) and
13 (b) of Section 201 of this Act upon corporations during the
14 preceding month. Beginning February 1, 2015 and continuing
15 through January 31, 2025, the Treasurer shall transfer each
16 month from the General Revenue Fund to the Local Government
17 Distributive Fund an amount equal to the sum of (i) 8% (10% of
18 the ratio of the 3% individual income tax rate prior to 2011 to
19 the 3.75% individual income tax rate after 2014) of the net
20 revenue realized from the tax imposed by subsections (a) and
21 (b) of Section 201 of this Act upon individuals, trusts, and
22 estates during the preceding month and (ii) 9.14% (10% of the
23 ratio of the 4.8% corporate income tax rate prior to 2011 to
24 the 5.25% corporate income tax rate after 2014) of the net
25 revenue realized from the tax imposed by subsections (a) and
26 (b) of Section 201 of this Act upon corporations during the

1 preceding month. Beginning February 1, 2025, the Treasurer
2 shall transfer each month from the General Revenue Fund to the
3 Local Government Distributive Fund an amount equal to the sum
4 of (i) 9.23% (10% of the ratio of the 3% individual income tax
5 rate prior to 2011 to the 3.25% individual income tax rate
6 after 2024) of the net revenue realized from the tax imposed by
7 subsections (a) and (b) of Section 201 of this Act upon
8 individuals, trusts, and estates during the preceding month and
9 (ii) 10% of the net revenue realized from the tax imposed by
10 subsections (a) and (b) of Section 201 of this Act upon
11 corporations during the preceding month. Net revenue realized
12 for a month shall be defined as the revenue from the tax
13 imposed by subsections (a) and (b) of Section 201 of this Act
14 which is deposited in the General Revenue Fund, the Education
15 Assistance Fund, the Income Tax Surcharge Local Government
16 Distributive Fund, the Fund for the Advancement of Education,
17 and the Commitment to Human Services Fund during the month
18 minus the amount paid out of the General Revenue Fund in State
19 warrants during that same month as refunds to taxpayers for
20 overpayment of liability under the tax imposed by subsections
21 (a) and (b) of Section 201 of this Act.

22 Beginning on August 26, 2014 (the effective date of Public
23 Act 98-1052) ~~this amendatory Act of the 98th General Assembly,~~
24 the Comptroller shall perform the transfers required by this
25 subsection (b) no later than 60 days after he or she receives
26 the certification from the Treasurer as provided in Section 1

1 of the State Revenue Sharing Act.

2 (c) Deposits Into Income Tax Refund Fund.

3 (1) Beginning on January 1, 1989 and thereafter, the
4 Department shall deposit a percentage of the amounts
5 collected pursuant to subsections (a) and (b)(1), (2), and
6 (3), of Section 201 of this Act into a fund in the State
7 treasury known as the Income Tax Refund Fund. The
8 Department shall deposit 6% of such amounts during the
9 period beginning January 1, 1989 and ending on June 30,
10 1989. Beginning with State fiscal year 1990 and for each
11 fiscal year thereafter, the percentage deposited into the
12 Income Tax Refund Fund during a fiscal year shall be the
13 Annual Percentage. For fiscal years 1999 through 2001, the
14 Annual Percentage shall be 7.1%. For fiscal year 2003, the
15 Annual Percentage shall be 8%. For fiscal year 2004, the
16 Annual Percentage shall be 11.7%. Upon the effective date
17 of this amendatory Act of the 93rd General Assembly, the
18 Annual Percentage shall be 10% for fiscal year 2005. For
19 fiscal year 2006, the Annual Percentage shall be 9.75%. For
20 fiscal year 2007, the Annual Percentage shall be 9.75%. For
21 fiscal year 2008, the Annual Percentage shall be 7.75%. For
22 fiscal year 2009, the Annual Percentage shall be 9.75%. For
23 fiscal year 2010, the Annual Percentage shall be 9.75%. For
24 fiscal year 2011, the Annual Percentage shall be 8.75%. For
25 fiscal year 2012, the Annual Percentage shall be 8.75%. For
26 fiscal year 2013, the Annual Percentage shall be 9.75%. For

1 fiscal year 2014, the Annual Percentage shall be 9.5%. For
2 fiscal year 2015, the Annual Percentage shall be 10%. For
3 all other fiscal years, the Annual Percentage shall be
4 calculated as a fraction, the numerator of which shall be
5 the amount of refunds approved for payment by the
6 Department during the preceding fiscal year as a result of
7 overpayment of tax liability under subsections (a) and
8 (b) (1), (2), and (3) of Section 201 of this Act plus the
9 amount of such refunds remaining approved but unpaid at the
10 end of the preceding fiscal year, minus the amounts
11 transferred into the Income Tax Refund Fund from the
12 Tobacco Settlement Recovery Fund, and the denominator of
13 which shall be the amounts which will be collected pursuant
14 to subsections (a) and (b) (1), (2), and (3) of Section 201
15 of this Act during the preceding fiscal year; except that
16 in State fiscal year 2002, the Annual Percentage shall in
17 no event exceed 7.6%. The Director of Revenue shall certify
18 the Annual Percentage to the Comptroller on the last
19 business day of the fiscal year immediately preceding the
20 fiscal year for which it is to be effective.

21 (2) Beginning on January 1, 1989 and thereafter, the
22 Department shall deposit a percentage of the amounts
23 collected pursuant to subsections (a) and (b) (6), (7), and
24 (8), (c) and (d) of Section 201 of this Act into a fund in
25 the State treasury known as the Income Tax Refund Fund. The
26 Department shall deposit 18% of such amounts during the

1 period beginning January 1, 1989 and ending on June 30,
2 1989. Beginning with State fiscal year 1990 and for each
3 fiscal year thereafter, the percentage deposited into the
4 Income Tax Refund Fund during a fiscal year shall be the
5 Annual Percentage. For fiscal years 1999, 2000, and 2001,
6 the Annual Percentage shall be 19%. For fiscal year 2003,
7 the Annual Percentage shall be 27%. For fiscal year 2004,
8 the Annual Percentage shall be 32%. Upon the effective date
9 of this amendatory Act of the 93rd General Assembly, the
10 Annual Percentage shall be 24% for fiscal year 2005. For
11 fiscal year 2006, the Annual Percentage shall be 20%. For
12 fiscal year 2007, the Annual Percentage shall be 17.5%. For
13 fiscal year 2008, the Annual Percentage shall be 15.5%. For
14 fiscal year 2009, the Annual Percentage shall be 17.5%. For
15 fiscal year 2010, the Annual Percentage shall be 17.5%. For
16 fiscal year 2011, the Annual Percentage shall be 17.5%. For
17 fiscal year 2012, the Annual Percentage shall be 17.5%. For
18 fiscal year 2013, the Annual Percentage shall be 14%. For
19 fiscal year 2014, the Annual Percentage shall be 13.4%. For
20 fiscal year 2015, the Annual Percentage shall be 14%. For
21 all other fiscal years, the Annual Percentage shall be
22 calculated as a fraction, the numerator of which shall be
23 the amount of refunds approved for payment by the
24 Department during the preceding fiscal year as a result of
25 overpayment of tax liability under subsections (a) and
26 (b) (6), (7), and (8), (c) and (d) of Section 201 of this

1 Act plus the amount of such refunds remaining approved but
2 unpaid at the end of the preceding fiscal year, and the
3 denominator of which shall be the amounts which will be
4 collected pursuant to subsections (a) and (b)(6), (7), and
5 (8), (c) and (d) of Section 201 of this Act during the
6 preceding fiscal year; except that in State fiscal year
7 2002, the Annual Percentage shall in no event exceed 23%.
8 The Director of Revenue shall certify the Annual Percentage
9 to the Comptroller on the last business day of the fiscal
10 year immediately preceding the fiscal year for which it is
11 to be effective.

12 (3) The Comptroller shall order transferred and the
13 Treasurer shall transfer from the Tobacco Settlement
14 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000
15 in January, 2001, (ii) \$35,000,000 in January, 2002, and
16 (iii) \$35,000,000 in January, 2003.

17 (d) Expenditures from Income Tax Refund Fund.

18 (1) Beginning January 1, 1989, money in the Income Tax
19 Refund Fund shall be expended exclusively for the purpose
20 of paying refunds resulting from overpayment of tax
21 liability under Section 201 of this Act, for paying rebates
22 under Section 208.1 in the event that the amounts in the
23 Homeowners' Tax Relief Fund are insufficient for that
24 purpose, and for making transfers pursuant to this
25 subsection (d).

26 (2) The Director shall order payment of refunds

1 resulting from overpayment of tax liability under Section
2 201 of this Act from the Income Tax Refund Fund only to the
3 extent that amounts collected pursuant to Section 201 of
4 this Act and transfers pursuant to this subsection (d) and
5 item (3) of subsection (c) have been deposited and retained
6 in the Fund.

7 (3) As soon as possible after the end of each fiscal
8 year, the Director shall order transferred and the State
9 Treasurer and State Comptroller shall transfer from the
10 Income Tax Refund Fund to the Personal Property Tax
11 Replacement Fund an amount, certified by the Director to
12 the Comptroller, equal to the excess of the amount
13 collected pursuant to subsections (c) and (d) of Section
14 201 of this Act deposited into the Income Tax Refund Fund
15 during the fiscal year over the amount of refunds resulting
16 from overpayment of tax liability under subsections (c) and
17 (d) of Section 201 of this Act paid from the Income Tax
18 Refund Fund during the fiscal year.

19 (4) As soon as possible after the end of each fiscal
20 year, the Director shall order transferred and the State
21 Treasurer and State Comptroller shall transfer from the
22 Personal Property Tax Replacement Fund to the Income Tax
23 Refund Fund an amount, certified by the Director to the
24 Comptroller, equal to the excess of the amount of refunds
25 resulting from overpayment of tax liability under
26 subsections (c) and (d) of Section 201 of this Act paid

1 from the Income Tax Refund Fund during the fiscal year over
2 the amount collected pursuant to subsections (c) and (d) of
3 Section 201 of this Act deposited into the Income Tax
4 Refund Fund during the fiscal year.

5 (4.5) As soon as possible after the end of fiscal year
6 1999 and of each fiscal year thereafter, the Director shall
7 order transferred and the State Treasurer and State
8 Comptroller shall transfer from the Income Tax Refund Fund
9 to the General Revenue Fund any surplus remaining in the
10 Income Tax Refund Fund as of the end of such fiscal year;
11 excluding for fiscal years 2000, 2001, and 2002 amounts
12 attributable to transfers under item (3) of subsection (c)
13 less refunds resulting from the earned income tax credit.

14 (5) This Act shall constitute an irrevocable and
15 continuing appropriation from the Income Tax Refund Fund
16 for the purpose of paying refunds upon the order of the
17 Director in accordance with the provisions of this Section.

18 (e) Deposits into the Education Assistance Fund and the
19 Income Tax Surcharge Local Government Distributive Fund.

20 On July 1, 1991, and thereafter, of the amounts collected
21 pursuant to subsections (a) and (b) of Section 201 of this Act,
22 minus deposits into the Income Tax Refund Fund, the Department
23 shall deposit 7.3% into the Education Assistance Fund in the
24 State Treasury. Beginning July 1, 1991, and continuing through
25 January 31, 1993, of the amounts collected pursuant to
26 subsections (a) and (b) of Section 201 of the Illinois Income

1 Tax Act, minus deposits into the Income Tax Refund Fund, the
2 Department shall deposit 3.0% into the Income Tax Surcharge
3 Local Government Distributive Fund in the State Treasury.
4 Beginning February 1, 1993 and continuing through June 30,
5 1993, of the amounts collected pursuant to subsections (a) and
6 (b) of Section 201 of the Illinois Income Tax Act, minus
7 deposits into the Income Tax Refund Fund, the Department shall
8 deposit 4.4% into the Income Tax Surcharge Local Government
9 Distributive Fund in the State Treasury. Beginning July 1,
10 1993, and continuing through June 30, 1994, of the amounts
11 collected under subsections (a) and (b) of Section 201 of this
12 Act, minus deposits into the Income Tax Refund Fund, the
13 Department shall deposit 1.475% into the Income Tax Surcharge
14 Local Government Distributive Fund in the State Treasury.

15 (f) Deposits into the Fund for the Advancement of
16 Education. Beginning February 1, 2015, the Department shall
17 deposit the following portions of the revenue realized from the
18 tax imposed upon individuals, trusts, and estates by
19 subsections (a) and (b) of Section 201 of this Act during the
20 preceding month, minus deposits into the Income Tax Refund
21 Fund, into the Fund for the Advancement of Education:

22 (1) beginning February 1, 2015, and prior to February
23 1, 2025, 1/30; and

24 (2) beginning February 1, 2025, 1/26.

25 If the rate of tax imposed by subsection (a) and (b) of
26 Section 201 is reduced pursuant to Section 201.5 of this Act,

1 the Department shall not make the deposits required by this
2 subsection (f) on or after the effective date of the reduction.

3 (g) Deposits into the Commitment to Human Services Fund.
4 Beginning February 1, 2015, the Department shall deposit the
5 following portions of the revenue realized from the tax imposed
6 upon individuals, trusts, and estates by subsections (a) and
7 (b) of Section 201 of this Act during the preceding month,
8 minus deposits into the Income Tax Refund Fund, into the
9 Commitment to Human Services Fund:

10 (1) beginning February 1, 2015, and prior to February
11 1, 2025, 1/30; and

12 (2) beginning February 1, 2025, 1/26.

13 If the rate of tax imposed by subsection (a) and (b) of
14 Section 201 is reduced pursuant to Section 201.5 of this Act,
15 the Department shall not make the deposits required by this
16 subsection (g) on or after the effective date of the reduction.

17 (h) Deposits into the Tax Compliance and Administration
18 Fund. Beginning on the first day of the first calendar month to
19 occur on or after August 26, 2014 (the effective date of Public
20 Act 98-1098) ~~this amendatory Act of the 98th General Assembly,~~
21 each month the Department shall pay into the Tax Compliance and
22 Administration Fund, to be used, subject to appropriation, to
23 fund additional auditors and compliance personnel at the
24 Department, an amount equal to 1/12 of 5% of the cash receipts
25 collected during the preceding fiscal year by the Audit Bureau
26 of the Department from the tax imposed by subsections (a), (b),

1 (c), and (d) of Section 201 of this Act, net of deposits into
2 the Income Tax Refund Fund made from those cash receipts.

3 (i) Deposits into the Bill Payment Trust Fund. On and after
4 the effective date of this amendatory Act of the 99th General
5 Assembly, the Department shall deposit into the Bill Payment
6 Trust Fund each month an amount equal the revenue realized from
7 the tax imposed by subsections (a) and (b) of Section 201 of
8 this Act during the preceding month that is attributable to the
9 changes made to Section 203 and Section 1501 of this Act by
10 this amendatory Act of the 99th General Assembly, net of
11 deposits into the Income Tax Refund Fund.

12 (Source: P.A. 97-72, eff. 7-1-11; 97-732, eff. 6-30-12; 98-24,
13 eff. 6-19-13; 98-674, eff. 6-30-14; 98-1052, eff. 8-26-14;
14 98-1098, eff. 8-26-14; revised 9-26-14.)

15 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

16 Sec. 1501. Definitions.

17 (a) In general. When used in this Act, where not otherwise
18 distinctly expressed or manifestly incompatible with the
19 intent thereof:

20 (1) Business income. The term "business income" means
21 all income that may be treated as apportionable business
22 income under the Constitution of the United States.
23 Business income is net of the deductions allocable thereto.
24 Such term does not include compensation or the deductions
25 allocable thereto. For each taxable year beginning on or

1 after January 1, 2003, a taxpayer may elect to treat all
2 income other than compensation as business income. This
3 election shall be made in accordance with rules adopted by
4 the Department and, once made, shall be irrevocable.

5 (1.5) Captive real estate investment trust:

6 (A) The term "captive real estate investment
7 trust" means a corporation, trust, or association:

8 (i) that is considered a real estate
9 investment trust for the taxable year under
10 Section 856 of the Internal Revenue Code;

11 (ii) the certificates of beneficial interest
12 or shares of which are not regularly traded on an
13 established securities market; and

14 (iii) of which more than 50% of the voting
15 power or value of the beneficial interest or
16 shares, at any time during the last half of the
17 taxable year, is owned or controlled, directly,
18 indirectly, or constructively, by a single
19 corporation.

20 (B) The term "captive real estate investment
21 trust" does not include:

22 (i) a real estate investment trust of which
23 more than 50% of the voting power or value of the
24 beneficial interest or shares is owned or
25 controlled, directly, indirectly, or
26 constructively, by:

1 (a) a real estate investment trust, other
2 than a captive real estate investment trust;

3 (b) a person who is exempt from taxation
4 under Section 501 of the Internal Revenue Code,
5 and who is not required to treat income
6 received from the real estate investment trust
7 as unrelated business taxable income under
8 Section 512 of the Internal Revenue Code;

9 (c) a listed Australian property trust, if
10 no more than 50% of the voting power or value
11 of the beneficial interest or shares of that
12 trust, at any time during the last half of the
13 taxable year, is owned or controlled, directly
14 or indirectly, by a single person;

15 (d) an entity organized as a trust,
16 provided a listed Australian property trust
17 described in subparagraph (c) owns or
18 controls, directly or indirectly, or
19 constructively, 75% or more of the voting power
20 or value of the beneficial interests or shares
21 of such entity; or

22 (e) an entity that is organized outside of
23 the laws of the United States and that
24 satisfies all of the following criteria:

25 (1) at least 75% of the entity's total
26 asset value at the close of its taxable

1 year is represented by real estate assets
2 (as defined in Section 856(c)(5)(B) of the
3 Internal Revenue Code, thereby including
4 shares or certificates of beneficial
5 interest in any real estate investment
6 trust), cash and cash equivalents, and
7 U.S. Government securities;

8 (2) the entity is not subject to tax on
9 amounts that are distributed to its
10 beneficial owners or is exempt from
11 entity-level taxation;

12 (3) the entity distributes at least
13 85% of its taxable income (as computed in
14 the jurisdiction in which it is organized)
15 to the holders of its shares or
16 certificates of beneficial interest on an
17 annual basis;

18 (4) either (i) the shares or
19 beneficial interests of the entity are
20 regularly traded on an established
21 securities market or (ii) not more than 10%
22 of the voting power or value in the entity
23 is held, directly, indirectly, or
24 constructively, by a single entity or
25 individual; and

26 (5) the entity is organized in a

1 country that has entered into a tax treaty
2 with the United States; or

3 (ii) during its first taxable year for which it
4 elects to be treated as a real estate investment
5 trust under Section 856(c)(1) of the Internal
6 Revenue Code, a real estate investment trust the
7 certificates of beneficial interest or shares of
8 which are not regularly traded on an established
9 securities market, but only if the certificates of
10 beneficial interest or shares of the real estate
11 investment trust are regularly traded on an
12 established securities market prior to the earlier
13 of the due date (including extensions) for filing
14 its return under this Act for that first taxable
15 year or the date it actually files that return.

16 (C) For the purposes of this subsection (1.5), the
17 constructive ownership rules prescribed under Section
18 318(a) of the Internal Revenue Code, as modified by
19 Section 856(d)(5) of the Internal Revenue Code, apply
20 in determining the ownership of stock, assets, or net
21 profits of any person.

22 (2) Commercial domicile. The term "commercial
23 domicile" means the principal place from which the trade or
24 business of the taxpayer is directed or managed.

25 (3) Compensation. The term "compensation" means wages,
26 salaries, commissions and any other form of remuneration

1 paid to employees for personal services.

2 (4) Corporation. The term "corporation" includes
3 associations, joint-stock companies, insurance companies
4 and cooperatives. Any entity, including a limited
5 liability company formed under the Illinois Limited
6 Liability Company Act, shall be treated as a corporation if
7 it is so classified for federal income tax purposes.

8 (5) Department. The term "Department" means the
9 Department of Revenue of this State.

10 (6) Director. The term "Director" means the Director of
11 Revenue of this State.

12 (7) Fiduciary. The term "fiduciary" means a guardian,
13 trustee, executor, administrator, receiver, or any person
14 acting in any fiduciary capacity for any person.

15 (8) Financial organization.

16 (A) The term "financial organization" means any
17 bank, bank holding company, trust company, savings
18 bank, industrial bank, land bank, safe deposit
19 company, private banker, savings and loan association,
20 building and loan association, credit union, currency
21 exchange, cooperative bank, small loan company, sales
22 finance company, investment company, or any person
23 which is owned by a bank or bank holding company. For
24 the purpose of this Section a "person" will include
25 only those persons which a bank holding company may
26 acquire and hold an interest in, directly or

1 indirectly, under the provisions of the Bank Holding
2 Company Act of 1956 (12 U.S.C. 1841, et seq.), except
3 where interests in any person must be disposed of
4 within certain required time limits under the Bank
5 Holding Company Act of 1956.

6 (B) For purposes of subparagraph (A) of this
7 paragraph, the term "bank" includes (i) any entity that
8 is regulated by the Comptroller of the Currency under
9 the National Bank Act, or by the Federal Reserve Board,
10 or by the Federal Deposit Insurance Corporation and
11 (ii) any federally or State chartered bank operating as
12 a credit card bank.

13 (C) For purposes of subparagraph (A) of this
14 paragraph, the term "sales finance company" has the
15 meaning provided in the following item (i) or (ii):

16 (i) A person primarily engaged in one or more
17 of the following businesses: the business of
18 purchasing customer receivables, the business of
19 making loans upon the security of customer
20 receivables, the business of making loans for the
21 express purpose of funding purchases of tangible
22 personal property or services by the borrower, or
23 the business of finance leasing. For purposes of
24 this item (i), "customer receivable" means:

25 (a) a retail installment contract or
26 retail charge agreement within the meaning of

1 the Sales Finance Agency Act, the Retail
2 Installment Sales Act, or the Motor Vehicle
3 Retail Installment Sales Act;

4 (b) an installment, charge, credit, or
5 similar contract or agreement arising from the
6 sale of tangible personal property or services
7 in a transaction involving a deferred payment
8 price payable in one or more installments
9 subsequent to the sale; or

10 (c) the outstanding balance of a contract
11 or agreement described in provisions (a) or (b)
12 of this item (i).

13 A customer receivable need not provide for
14 payment of interest on deferred payments. A sales
15 finance company may purchase a customer receivable
16 from, or make a loan secured by a customer
17 receivable to, the seller in the original
18 transaction or to a person who purchased the
19 customer receivable directly or indirectly from
20 that seller.

21 (ii) A corporation meeting each of the
22 following criteria:

23 (a) the corporation must be a member of an
24 "affiliated group" within the meaning of
25 Section 1504(a) of the Internal Revenue Code,
26 determined without regard to Section 1504(b)

1 of the Internal Revenue Code;

2 (b) more than 50% of the gross income of
3 the corporation for the taxable year must be
4 interest income derived from qualifying loans.
5 A "qualifying loan" is a loan made to a member
6 of the corporation's affiliated group that
7 originates customer receivables (within the
8 meaning of item (i)) or to whom customer
9 receivables originated by a member of the
10 affiliated group have been transferred, to the
11 extent the average outstanding balance of
12 loans from that corporation to members of its
13 affiliated group during the taxable year do not
14 exceed the limitation amount for that
15 corporation. The "limitation amount" for a
16 corporation is the average outstanding
17 balances during the taxable year of customer
18 receivables (within the meaning of item (i))
19 originated by all members of the affiliated
20 group. If the average outstanding balances of
21 the loans made by a corporation to members of
22 its affiliated group exceed the limitation
23 amount, the interest income of that
24 corporation from qualifying loans shall be
25 equal to its interest income from loans to
26 members of its affiliated groups times a

1 fraction equal to the limitation amount
2 divided by the average outstanding balances of
3 the loans made by that corporation to members
4 of its affiliated group;

5 (c) the total of all shareholder's equity
6 (including, without limitation, paid-in
7 capital on common and preferred stock and
8 retained earnings) of the corporation plus the
9 total of all of its loans, advances, and other
10 obligations payable or owed to members of its
11 affiliated group may not exceed 20% of the
12 total assets of the corporation at any time
13 during the tax year; and

14 (d) more than 50% of all interest-bearing
15 obligations of the affiliated group payable to
16 persons outside the group determined in
17 accordance with generally accepted accounting
18 principles must be obligations of the
19 corporation.

20 This amendatory Act of the 91st General Assembly is
21 declaratory of existing law.

22 (D) Subparagraphs (B) and (C) of this paragraph are
23 declaratory of existing law and apply retroactively,
24 for all tax years beginning on or before December 31,
25 1996, to all original returns, to all amended returns
26 filed no later than 30 days after the effective date of

1 this amendatory Act of 1996, and to all notices issued
2 on or before the effective date of this amendatory Act
3 of 1996 under subsection (a) of Section 903, subsection
4 (a) of Section 904, subsection (e) of Section 909, or
5 Section 912. A taxpayer that is a "financial
6 organization" that engages in any transaction with an
7 affiliate shall be a "financial organization" for all
8 purposes of this Act.

9 (E) For all tax years beginning on or before
10 December 31, 1996, a taxpayer that falls within the
11 definition of a "financial organization" under
12 subparagraphs (B) or (C) of this paragraph, but who
13 does not fall within the definition of a "financial
14 organization" under the Proposed Regulations issued by
15 the Department of Revenue on July 19, 1996, may
16 irrevocably elect to apply the Proposed Regulations
17 for all of those years as though the Proposed
18 Regulations had been lawfully promulgated, adopted,
19 and in effect for all of those years. For purposes of
20 applying subparagraphs (B) or (C) of this paragraph to
21 all of those years, the election allowed by this
22 subparagraph applies only to the taxpayer making the
23 election and to those members of the taxpayer's unitary
24 business group who are ordinarily required to
25 apportion business income under the same subsection of
26 Section 304 of this Act as the taxpayer making the

1 election. No election allowed by this subparagraph
2 shall be made under a claim filed under subsection (d)
3 of Section 909 more than 30 days after the effective
4 date of this amendatory Act of 1996.

5 (F) Finance Leases. For purposes of this
6 subsection, a finance lease shall be treated as a loan
7 or other extension of credit, rather than as a lease,
8 regardless of how the transaction is characterized for
9 any other purpose, including the purposes of any
10 regulatory agency to which the lessor is subject. A
11 finance lease is any transaction in the form of a lease
12 in which the lessee is treated as the owner of the
13 leased asset entitled to any deduction for
14 depreciation allowed under Section 167 of the Internal
15 Revenue Code.

16 (9) Fiscal year. The term "fiscal year" means an
17 accounting period of 12 months ending on the last day of
18 any month other than December.

19 (9.5) Fixed place of business. The term "fixed place of
20 business" has the same meaning as that term is given in
21 Section 864 of the Internal Revenue Code and the related
22 Treasury regulations.

23 (10) Includes and including. The terms "includes" and
24 "including" when used in a definition contained in this Act
25 shall not be deemed to exclude other things otherwise
26 within the meaning of the term defined.

1 (11) Internal Revenue Code. The term "Internal Revenue
2 Code" means the United States Internal Revenue Code of 1954
3 or any successor law or laws relating to federal income
4 taxes in effect for the taxable year.

5 (11.5) Investment partnership.

6 (A) The term "investment partnership" means any
7 entity that is treated as a partnership for federal
8 income tax purposes that meets the following
9 requirements:

10 (i) no less than 90% of the partnership's cost
11 of its total assets consists of qualifying
12 investment securities, deposits at banks or other
13 financial institutions, and office space and
14 equipment reasonably necessary to carry on its
15 activities as an investment partnership;

16 (ii) no less than 90% of its gross income
17 consists of interest, dividends, and gains from
18 the sale or exchange of qualifying investment
19 securities; and

20 (iii) the partnership is not a dealer in
21 qualifying investment securities.

22 (B) For purposes of this paragraph (11.5), the term
23 "qualifying investment securities" includes all of the
24 following:

25 (i) common stock, including preferred or debt
26 securities convertible into common stock, and

1 preferred stock;

2 (ii) bonds, debentures, and other debt
3 securities;

4 (iii) foreign and domestic currency deposits
5 secured by federal, state, or local governmental
6 agencies;

7 (iv) mortgage or asset-backed securities
8 secured by federal, state, or local governmental
9 agencies;

10 (v) repurchase agreements and loan
11 participations;

12 (vi) foreign currency exchange contracts and
13 forward and futures contracts on foreign
14 currencies;

15 (vii) stock and bond index securities and
16 futures contracts and other similar financial
17 securities and futures contracts on those
18 securities;

19 (viii) options for the purchase or sale of any
20 of the securities, currencies, contracts, or
21 financial instruments described in items (i) to
22 (vii), inclusive;

23 (ix) regulated futures contracts;

24 (x) commodities (not described in Section
25 1221(a)(1) of the Internal Revenue Code) or
26 futures, forwards, and options with respect to

1 such commodities, provided, however, that any item
2 of a physical commodity to which title is actually
3 acquired in the partnership's capacity as a dealer
4 in such commodity shall not be a qualifying
5 investment security;

6 (xi) derivatives; and

7 (xii) a partnership interest in another
8 partnership that is an investment partnership.

9 (12) Mathematical error. The term "mathematical error"
10 includes the following types of errors, omissions, or
11 defects in a return filed by a taxpayer which prevents
12 acceptance of the return as filed for processing:

13 (A) arithmetic errors or incorrect computations on
14 the return or supporting schedules;

15 (B) entries on the wrong lines;

16 (C) omission of required supporting forms or
17 schedules or the omission of the information in whole
18 or in part called for thereon; and

19 (D) an attempt to claim, exclude, deduct, or
20 improperly report, in a manner directly contrary to the
21 provisions of the Act and regulations thereunder any
22 item of income, exemption, deduction, or credit.

23 (13) Nonbusiness income. The term "nonbusiness income"
24 means all income other than business income or
25 compensation.

26 (14) Nonresident. The term "nonresident" means a

1 person who is not a resident.

2 (15) Paid, incurred and accrued. The terms "paid",
3 "incurred" and "accrued" shall be construed according to
4 the method of accounting upon the basis of which the
5 person's base income is computed under this Act.

6 (16) Partnership and partner. The term "partnership"
7 includes a syndicate, group, pool, joint venture or other
8 unincorporated organization, through or by means of which
9 any business, financial operation, or venture is carried
10 on, and which is not, within the meaning of this Act, a
11 trust or estate or a corporation; and the term "partner"
12 includes a member in such syndicate, group, pool, joint
13 venture or organization.

14 The term "partnership" includes any entity, including
15 a limited liability company formed under the Illinois
16 Limited Liability Company Act, classified as a partnership
17 for federal income tax purposes.

18 The term "partnership" does not include a syndicate,
19 group, pool, joint venture, or other unincorporated
20 organization established for the sole purpose of playing
21 the Illinois State Lottery.

22 (17) Part-year resident. The term "part-year resident"
23 means an individual who became a resident during the
24 taxable year or ceased to be a resident during the taxable
25 year. Under Section 1501(a)(20)(A)(i) residence commences
26 with presence in this State for other than a temporary or

1 transitory purpose and ceases with absence from this State
2 for other than a temporary or transitory purpose. Under
3 Section 1501(a)(20)(A)(ii) residence commences with the
4 establishment of domicile in this State and ceases with the
5 establishment of domicile in another State.

6 (18) Person. The term "person" shall be construed to
7 mean and include an individual, a trust, estate,
8 partnership, association, firm, company, corporation,
9 limited liability company, or fiduciary. For purposes of
10 Section 1301 and 1302 of this Act, a "person" means (i) an
11 individual, (ii) a corporation, (iii) an officer, agent, or
12 employee of a corporation, (iv) a member, agent or employee
13 of a partnership, or (v) a member, manager, employee,
14 officer, director, or agent of a limited liability company
15 who in such capacity commits an offense specified in
16 Section 1301 and 1302.

17 (18A) Records. The term "records" includes all data
18 maintained by the taxpayer, whether on paper, microfilm,
19 microfiche, or any type of machine-sensible data
20 compilation.

21 (19) Regulations. The term "regulations" includes
22 rules promulgated and forms prescribed by the Department.

23 (20) Resident. The term "resident" means:

24 (A) an individual (i) who is in this State for
25 other than a temporary or transitory purpose during the
26 taxable year; or (ii) who is domiciled in this State

1 but is absent from the State for a temporary or
2 transitory purpose during the taxable year;

3 (B) The estate of a decedent who at his or her
4 death was domiciled in this State;

5 (C) A trust created by a will of a decedent who at
6 his death was domiciled in this State; and

7 (D) An irrevocable trust, the grantor of which was
8 domiciled in this State at the time such trust became
9 irrevocable. For purpose of this subparagraph, a trust
10 shall be considered irrevocable to the extent that the
11 grantor is not treated as the owner thereof under
12 Sections 671 through 678 of the Internal Revenue Code.

13 (21) Sales. The term "sales" means all gross receipts
14 of the taxpayer not allocated under Sections 301, 302 and
15 303.

16 (22) State. The term "state" when applied to a
17 jurisdiction other than this State means any state of the
18 United States, the District of Columbia, the Commonwealth
19 of Puerto Rico, any Territory or Possession of the United
20 States, and any foreign country, or any political
21 subdivision of any of the foregoing. For purposes of the
22 foreign tax credit under Section 601, the term "state"
23 means any state of the United States, the District of
24 Columbia, the Commonwealth of Puerto Rico, and any
25 territory or possession of the United States, or any
26 political subdivision of any of the foregoing, effective

1 for tax years ending on or after December 31, 1989.

2 (23) Taxable year. The term "taxable year" means the
3 calendar year, or the fiscal year ending during such
4 calendar year, upon the basis of which the base income is
5 computed under this Act. "Taxable year" means, in the case
6 of a return made for a fractional part of a year under the
7 provisions of this Act, the period for which such return is
8 made.

9 (24) Taxpayer. The term "taxpayer" means any person
10 subject to the tax imposed by this Act.

11 (25) International banking facility. The term
12 international banking facility shall have the same meaning
13 as is set forth in the Illinois Banking Act or as is set
14 forth in the laws of the United States or regulations of
15 the Board of Governors of the Federal Reserve System.

16 (26) Income Tax Return Preparer.

17 (A) The term "income tax return preparer" means any
18 person who prepares for compensation, or who employs
19 one or more persons to prepare for compensation, any
20 return of tax imposed by this Act or any claim for
21 refund of tax imposed by this Act. The preparation of a
22 substantial portion of a return or claim for refund
23 shall be treated as the preparation of that return or
24 claim for refund.

25 (B) A person is not an income tax return preparer
26 if all he or she does is

1 (i) furnish typing, reproducing, or other
2 mechanical assistance;

3 (ii) prepare returns or claims for refunds for
4 the employer by whom he or she is regularly and
5 continuously employed;

6 (iii) prepare as a fiduciary returns or claims
7 for refunds for any person; or

8 (iv) prepare claims for refunds for a taxpayer
9 in response to any notice of deficiency issued to
10 that taxpayer or in response to any waiver of
11 restriction after the commencement of an audit of
12 that taxpayer or of another taxpayer if a
13 determination in the audit of the other taxpayer
14 directly or indirectly affects the tax liability
15 of the taxpayer whose claims he or she is
16 preparing.

17 (27) Unitary business group.

18 (A) The term "unitary business group" means a group
19 of persons related through common ownership whose
20 business activities are integrated with, dependent
21 upon and contribute to each other. The group will not
22 include those members whose business activity outside
23 the United States is 80% or more of any such member's
24 total business activity; for purposes of this
25 paragraph and clause (a)(3)(B)(ii) of Section 304,
26 business activity within the United States shall be

1 measured by means of the factors ordinarily applicable
2 under subsections (a), (b), (c), (d), or (h) of Section
3 304 except that, in the case of members ordinarily
4 required to apportion business income by means of the 3
5 factor formula of property, payroll and sales
6 specified in subsection (a) of Section 304, including
7 the formula as weighted in subsection (h) of Section
8 304, such members shall not use the sales factor in the
9 computation and the results of the property and payroll
10 factor computations of subsection (a) of Section 304
11 shall be divided by 2 (by one if either the property or
12 payroll factor has a denominator of zero). The
13 computation required by the preceding sentence shall,
14 in each case, involve the division of the member's
15 property, payroll, or revenue miles in the United
16 States, insurance premiums on property or risk in the
17 United States, or financial organization business
18 income from sources within the United States, as the
19 case may be, by the respective worldwide figures for
20 such items. Common ownership in the case of
21 corporations is the direct or indirect control or
22 ownership of more than 50% of the outstanding voting
23 stock of the persons carrying on unitary business
24 activity. Unitary business activity can ordinarily be
25 illustrated where the activities of the members are:
26 (1) in the same general line (such as manufacturing,

1 wholesaling, retailing of tangible personal property,
2 insurance, transportation or finance); or (2) are
3 steps in a vertically structured enterprise or process
4 (such as the steps involved in the production of
5 natural resources, which might include exploration,
6 mining, refining, and marketing); and, in either
7 instance, the members are functionally integrated
8 through the exercise of strong centralized management
9 (where, for example, authority over such matters as
10 purchasing, financing, tax compliance, product line,
11 personnel, marketing and capital investment is not
12 left to each member).

13 (B) In no event, for taxable years ending prior to
14 December 31, 2015, shall any unitary business group
15 include members which are ordinarily required to
16 apportion business income under different subsections
17 of Section 304 except that for tax years ending on or
18 after December 31, 1987 this prohibition shall not
19 apply to a holding company that would otherwise be a
20 member of a unitary business group with taxpayers that
21 apportion business income under any of subsections
22 (b), (c), (c-1), or (d) of Section 304. If a unitary
23 business group would, but for the preceding sentence,
24 include members that are ordinarily required to
25 apportion business income under different subsections
26 of Section 304, then for each subsection of Section 304

1 for which there are two or more members, there shall be
2 a separate unitary business group composed of such
3 members. For purposes of the preceding two sentences, a
4 member is "ordinarily required to apportion business
5 income" under a particular subsection of Section 304 if
6 it would be required to use the apportionment method
7 prescribed by such subsection except for the fact that
8 it derives business income solely from Illinois. As
9 used in this paragraph, the phrase "United States"
10 means only the 50 states and the District of Columbia,
11 but does not include any territory or possession of the
12 United States or any area over which the United States
13 has asserted jurisdiction or claimed exclusive rights
14 with respect to the exploration for or exploitation of
15 natural resources.

16 (C) Holding companies.

17 (i) For purposes of this subparagraph, a
18 "holding company" is a corporation (other than a
19 corporation that is a financial organization under
20 paragraph (8) of this subsection (a) of Section
21 1501 because it is a bank holding company under the
22 provisions of the Bank Holding Company Act of 1956
23 (12 U.S.C. 1841, et seq.) or because it is owned by
24 a bank or a bank holding company) that owns a
25 controlling interest in one or more other
26 taxpayers ("controlled taxpayers"); that, during

1 the period that includes the taxable year and the 2
2 immediately preceding taxable years or, if the
3 corporation was formed during the current or
4 immediately preceding taxable year, the taxable
5 years in which the corporation has been in
6 existence, derived substantially all its gross
7 income from dividends, interest, rents, royalties,
8 fees or other charges received from controlled
9 taxpayers for the provision of services, and gains
10 on the sale or other disposition of interests in
11 controlled taxpayers or in property leased or
12 licensed to controlled taxpayers or used by the
13 taxpayer in providing services to controlled
14 taxpayers; and that incurs no substantial expenses
15 other than expenses (including interest and other
16 costs of borrowing) incurred in connection with
17 the acquisition and holding of interests in
18 controlled taxpayers and in the provision of
19 services to controlled taxpayers or in the leasing
20 or licensing of property to controlled taxpayers.

21 (ii) The income of a holding company which is a
22 member of more than one unitary business group
23 shall be included in each unitary business group of
24 which it is a member on a pro rata basis, by
25 including in each unitary business group that
26 portion of the base income of the holding company

1 that bears the same proportion to the total base
2 income of the holding company as the gross receipts
3 of the unitary business group bears to the combined
4 gross receipts of all unitary business groups (in
5 both cases without regard to the holding company)
6 or on any other reasonable basis, consistently
7 applied.

8 (iii) A holding company shall apportion its
9 business income under the subsection of Section
10 304 used by the other members of its unitary
11 business group. The apportionment factors of a
12 holding company which would be a member of more
13 than one unitary business group shall be included
14 with the apportionment factors of each unitary
15 business group of which it is a member on a pro
16 rata basis using the same method used in clause
17 (ii).

18 (iv) The provisions of this subparagraph (C)
19 are intended to clarify existing law.

20 (D) If including the base income and factors of a
21 holding company in more than one unitary business group
22 under subparagraph (C) does not fairly reflect the
23 degree of integration between the holding company and
24 one or more of the unitary business groups, the
25 dependence of the holding company and one or more of
26 the unitary business groups upon each other, or the

1 contributions between the holding company and one or
2 more of the unitary business groups, the holding
3 company may petition the Director, under the
4 procedures provided under Section 304(f), for
5 permission to include all base income and factors of
6 the holding company only with members of a unitary
7 business group apportioning their business income
8 under one subsection of subsections (a), (b), (c), or
9 (d) of Section 304. If the petition is granted, the
10 holding company shall be included in a unitary business
11 group only with persons apportioning their business
12 income under the selected subsection of Section 304
13 until the Director grants a petition of the holding
14 company either to be included in more than one unitary
15 business group under subparagraph (C) or to include its
16 base income and factors only with members of a unitary
17 business group apportioning their business income
18 under a different subsection of Section 304.

19 (E) If the unitary business group members'
20 accounting periods differ, the common parent's
21 accounting period or, if there is no common parent, the
22 accounting period of the member that is expected to
23 have, on a recurring basis, the greatest Illinois
24 income tax liability must be used to determine whether
25 to use the apportionment method provided in subsection
26 (a) or subsection (h) of Section 304. The prohibition

1 against membership in a unitary business group for
2 taxpayers ordinarily required to apportion income
3 under different subsections of Section 304 does not
4 apply to taxpayers required to apportion income under
5 subsection (a) and subsection (h) of Section 304. The
6 provisions of this amendatory Act of 1998 apply to tax
7 years ending on or after December 31, 1998.

8 (28) Subchapter S corporation. The term "Subchapter S
9 corporation" means a corporation for which there is in
10 effect an election under Section 1362 of the Internal
11 Revenue Code, or for which there is a federal election to
12 opt out of the provisions of the Subchapter S Revision Act
13 of 1982 and have applied instead the prior federal
14 Subchapter S rules as in effect on July 1, 1982.

15 (30) Foreign person. The term "foreign person" means
16 any person who is a nonresident alien individual and any
17 nonindividual entity, regardless of where created or
18 organized, whose business activity outside the United
19 States is 80% or more of the entity's total business
20 activity.

21 (b) Other definitions.

22 (1) Words denoting number, gender, and so forth, when
23 used in this Act, where not otherwise distinctly expressed
24 or manifestly incompatible with the intent thereof:

25 (A) Words importing the singular include and apply

1 to several persons, parties or things;

2 (B) Words importing the plural include the
3 singular; and

4 (C) Words importing the masculine gender include
5 the feminine as well.

6 (2) "Company" or "association" as including successors
7 and assigns. The word "company" or "association", when used
8 in reference to a corporation, shall be deemed to embrace
9 the words "successors and assigns of such company or
10 association", and in like manner as if these last-named
11 words, or words of similar import, were expressed.

12 (3) Other terms. Any term used in any Section of this
13 Act with respect to the application of, or in connection
14 with, the provisions of any other Section of this Act shall
15 have the same meaning as in such other Section.

16 (Source: P.A. 96-641, eff. 8-24-09; 97-507, eff. 8-23-11;
17 97-636, eff. 6-1-12.)

18 Section 10. The State Finance Act is amended by adding
19 Sections 5.866 and 6z-101 as follows:

20 (30 ILCS 105/5.866 new)

21 Sec. 5.866. The Bill Payment Trust Fund.

22 (30 ILCS 105/6z-101 new)

23 Sec. 6z-101. Bill Payment Trust Fund; creation. The Bill

1 Payment Trust Fund is created as a special fund in the State
2 Treasury. Moneys in the Fund shall be used to make payments to
3 bona fide creditors of the State who:

4 (1) have submitted a bill or invoice to the State that
5 (A) was properly approved under rules adopted under Section
6 3-3 of the State Prompt Payment Act, and (B) is more than
7 90 days past due; or

8 (2) are entitled to payment from State funds if the
9 State is more than 90 days delinquent in the payment of
10 those funds. For the purposes of this Section, the term
11 "bona fide creditor" includes, but is not limited to,
12 healthcare providers, public and private universities,
13 school districts, units of local government, and State
14 vendors.

15 The Bill Payment Trust Fund is not subject to
16 administrative charges or chargebacks, including, but not
17 limited to, those authorized under Section 8h of the State
18 Finance Act.

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.