

1 AN ACT concerning taxes.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

27 (C) An amount equal to the amount received  
28 during the taxable year as a recovery or refund of  
29 real property taxes paid with respect to the  
30 taxpayer's principal residence under the Revenue Act  
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)  
2 prior to July 1, 1991, the retrospective application  
3 date of Article 4 of Public Act 87-17. In the case  
4 of multi-unit or multi-use structures and farm  
5 dwellings, the taxes on the taxpayer's principal  
6 residence shall be that portion of the total taxes  
7 for the entire property which is attributable to  
8 such principal residence;

9 (D) An amount equal to the amount of the  
10 capital gain deduction allowable under the Internal  
11 Revenue Code, to the extent deducted from gross  
12 income in the computation of adjusted gross income;

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15 withdrawn by the taxpayer in the taxable year from a  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

22 (D-10) For taxable years ending after December  
23 31, 1997, an amount equal to any eligible  
24 remediation costs that the individual deducted in  
25 computing adjusted gross income and for which the  
26 individual claims a credit under subsection (l) of  
27 Section 201;

28 (D-15) For taxable years 2001 and thereafter,  
29 an amount equal to the bonus depreciation deduction  
30 (30% of the adjusted basis of the qualified  
31 property) taken on the taxpayer's federal income tax  
32 return for the taxable year under subsection (k) of  
33 Section 168 of the Internal Revenue Code; and

34 (D-16) If the taxpayer reports a capital gain

1           or loss on the taxpayer's federal income tax return  
 2           for the taxable year based on a sale or transfer of  
 3           property for which the taxpayer was required in any  
 4           taxable year to make an addition modification under  
 5           subparagraph (D-15), then an amount equal to the  
 6           aggregate amount of the deductions taken in all  
 7           taxable years under subparagraph (Z) with respect to  
 8           that property;

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

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

14                   (E) For taxable years ending before December  
 15                   31, 2001, any amount included in such total in  
 16                   respect of any compensation (including but not  
 17                   limited to any compensation paid or accrued to a  
 18                   serviceman while a prisoner of war or missing in  
 19                   action) paid to a resident by reason of being on  
 20                   active duty in the Armed Forces of the United States  
 21                   and in respect of any compensation paid or accrued  
 22                   to a resident who as a governmental employee was a  
 23                   prisoner of war or missing in action, and in respect  
 24                   of any compensation paid to a resident in 1971 or  
 25                   thereafter for annual training performed pursuant to  
 26                   Sections 502 and 503, Title 32, United States Code  
 27                   as a member of the Illinois National Guard. For  
 28                   taxable years ending on or after December 31, 2001,  
 29                   any amount included in such total in respect of any  
 30                   compensation (including but not limited to any  
 31                   compensation paid or accrued to a serviceman while a  
 32                   prisoner of war or missing in action) paid to a  
 33                   resident by reason of being a member of any  
 34                   component of the Armed Forces of the United States

1           and in respect of any compensation paid or accrued  
 2           to a resident who as a governmental employee was a  
 3           prisoner of war or missing in action, and in respect  
 4           of any compensation paid to a resident in 2001 or  
 5           thereafter by reason of being a member of the  
 6           Illinois National Guard. The provisions of this  
 7           amendatory Act of the 92nd General Assembly are  
 8           exempt from the provisions of Section 250;

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

20          (G) The valuation limitation amount;

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

25          (I) An amount equal to all amounts included in  
 26          such total pursuant to the provisions of Section 111  
 27          of the Internal Revenue Code as a recovery of items  
 28          previously deducted from adjusted gross income in  
 29          the computation of taxable income;

30          (J) An amount equal to those dividends  
 31          included in such total which were paid by a  
 32          corporation which conducts business operations in an  
 33          Enterprise Zone or zones created under the Illinois  
 34          Enterprise Zone Act, and conducts substantially all

1 of its operations in an Enterprise Zone or zones;

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

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

17 (M) With the exception of any amounts  
18 subtracted under subparagraph (N), an amount equal  
19 to the sum of all amounts disallowed as deductions  
20 by (i) Sections 171(a) (2), and 265(2) of the  
21 Internal Revenue Code of 1954, as now or hereafter  
22 amended, and all amounts of expenses allocable to  
23 interest and disallowed as deductions by Section  
24 265(1) of the Internal Revenue Code of 1954, as now  
25 or hereafter amended; and (ii) for taxable years  
26 ending on or after August 13, 1999, Sections  
27 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
28 Internal Revenue Code; the provisions of this  
29 subparagraph are exempt from the provisions of  
30 Section 250;

31 (N) An amount equal to all amounts included in  
32 such total which are exempt from taxation by this  
33 State either by reason of its statutes or  
34 Constitution or by reason of the Constitution,

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

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

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

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

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

25 (S) An amount, to the extent included in  
26 adjusted gross income, equal to the amount of a  
27 contribution made in the taxable year on behalf of  
28 the taxpayer to a medical care savings account  
29 established under the Medical Care Savings Account  
30 Act or the Medical Care Savings Account Act of 2000  
31 to the extent the contribution is accepted by the  
32 account administrator as provided in that Act;

33 (T) An amount, to the extent included in  
34 adjusted gross income, equal to the amount of

1 interest earned in the taxable year on a medical  
2 care savings account established under the Medical  
3 Care Savings Account Act or the Medical Care Savings  
4 Account Act of 2000 on behalf of the taxpayer, other  
5 than interest added pursuant to item (D-5) of this  
6 paragraph (2);

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

14 (V) Beginning with tax years ending on or  
15 after December 31, 1995 and ending with tax years  
16 ending on or before December 31, 2004, an amount  
17 equal to the amount paid by a taxpayer who is a  
18 self-employed taxpayer, a partner of a partnership,  
19 or a shareholder in a Subchapter S corporation for  
20 health insurance or long-term care insurance for  
21 that taxpayer or that taxpayer's spouse or  
22 dependents, to the extent that the amount paid for  
23 that health insurance or long-term care insurance  
24 may be deducted under Section 213 of the Internal  
25 Revenue Code of 1986, has not been deducted on the  
26 federal income tax return of the taxpayer, and does  
27 not exceed the taxable income attributable to that  
28 taxpayer's income, self-employment income, or  
29 Subchapter S corporation income; except that no  
30 deduction shall be allowed under this item (V) if  
31 the taxpayer is eligible to participate in any  
32 health insurance or long-term care insurance plan of  
33 an employer of the taxpayer or the taxpayer's  
34 spouse. The amount of the health insurance and

1 long-term care insurance subtracted under this item  
2 (V) shall be determined by multiplying total health  
3 insurance and long-term care insurance premiums paid  
4 by the taxpayer times a number that represents the  
5 fractional percentage of eligible medical expenses  
6 under Section 213 of the Internal Revenue Code of  
7 1986 not actually deducted on the taxpayer's federal  
8 income tax return;

9 (W) For taxable years beginning on or after  
10 January 1, 1998, all amounts included in the  
11 taxpayer's federal gross income in the taxable year  
12 from amounts converted from a regular IRA to a Roth  
13 IRA. This paragraph is exempt from the provisions of  
14 Section 250;

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



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

16 (Y) For taxable years beginning on or after  
 17 January 1, 2002, moneys contributed in the taxable  
 18 year to a College Savings Pool account under Section  
 19 16.5 of the State Treasurer Act. This subparagraph  
 20 (Y) is exempt from the provisions of Section 250;

21 (Z) For taxable years 2001 and thereafter, for  
 22 the taxable year in which the bonus depreciation  
 23 deduction (30% of the adjusted basis of the  
 24 qualified property) is taken on the taxpayer's  
 25 federal income tax return under subsection (k) of  
 26 Section 168 of the Internal Revenue Code and for  
 27 each applicable taxable year thereafter, an amount  
 28 equal to "x", where:

29 (1) "y" equals the amount of the  
 30 depreciation deduction taken for the taxable  
 31 year on the taxpayer's federal income tax  
 32 return on property for which the bonus  
 33 depreciation deduction (30% of the adjusted  
 34 basis of the qualified property) was taken in

1 any year under subsection (k) of Section 168 of  
2 the Internal Revenue Code, but not including  
3 the bonus depreciation deduction; and

4 (2) "x" equals "y" multiplied by 30 and  
5 then divided by 70 (or "y" multiplied by  
6 0.429).

7 The aggregate amount deducted under this  
8 subparagraph in all taxable years for any one piece  
9 of property may not exceed the amount of the bonus  
10 depreciation deduction (30% of the adjusted basis of  
11 the qualified property) taken on that property on  
12 the taxpayer's federal income tax return under  
13 subsection (k) of Section 168 of the Internal  
14 Revenue Code; and

15 (AA) If the taxpayer reports a capital gain or  
16 loss on the taxpayer's federal income tax return for  
17 the taxable year based on a sale or transfer of  
18 property for which the taxpayer was required in any  
19 taxable year to make an addition modification under  
20 subparagraph (D-15), then an amount equal to that  
21 addition modification.

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

25 (b) Corporations.

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

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

32 (A) An amount equal to all amounts paid or  
33 accrued to the taxpayer as interest and all  
34 distributions received from regulated investment

1 companies during the taxable year to the extent  
2 excluded from gross income in the computation of  
3 taxable income;

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

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

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

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

33 (i) the addition modification relating to  
34 the net operating loss carried back or forward

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

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

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

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

28 (E-10) For taxable years 2001 and thereafter,  
29 an amount equal to the bonus depreciation deduction  
30 (30% of the adjusted basis of the qualified  
31 property) taken on the taxpayer's federal income tax  
32 return for the taxable year under subsection (k) of  
33 Section 168 of the Internal Revenue Code; and

34 (E-11) If the taxpayer reports a capital gain

1           or loss on the taxpayer's federal income tax return  
2           for the taxable year based on a sale or transfer of  
3           property for which the taxpayer was required in any  
4           taxable year to make an addition modification under  
5           subparagraph (E-10), then an amount equal to the  
6           aggregate amount of the deductions taken in all  
7           taxable years under subparagraph (T) with respect to  
8           that property;

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

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

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

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

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

26                 (I) With the exception of any amounts  
27                 subtracted under subparagraph (J), an amount equal  
28                 to the sum of all amounts disallowed as deductions  
29                 by (i) Sections 171(a) (2), and 265(a)(2) and  
30                 amounts disallowed as interest expense by Section  
31                 291(a)(3) of the Internal Revenue Code, as now or  
32                 hereafter amended, and all amounts of expenses  
33                 allocable to interest and disallowed as deductions  
34                 by Section 265(a)(1) of the Internal Revenue Code,

1 as now or hereafter amended; and (ii) for taxable  
2 years ending on or after August 13, 1999, Sections  
3 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
4 of the Internal Revenue Code; the provisions of this  
5 subparagraph are exempt from the provisions of  
6 Section 250;

7 (J) An amount equal to all amounts included in  
8 such total which are exempt from taxation by this  
9 State either by reason of its statutes or  
10 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  
14 obligations from the tax imposed under this Act, the  
15 amount exempted shall be the interest net of bond  
16 premium amortization;

17 (K) An amount equal to those dividends  
18 included in such total which were paid by a  
19 corporation which conducts business operations in an  
20 Enterprise Zone or zones created under the Illinois  
21 Enterprise Zone Act and conducts substantially all  
22 of its operations in an Enterprise Zone or zones;

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

33 (M) For any taxpayer that is a financial  
34 organization within the meaning of Section 304(c) of

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

21                 (M-1) For any taxpayer that is a financial  
22          organization within the meaning of Section 304(c) of  
23          this Act, an amount included in such total as  
24          interest income from a loan or loans made by such  
25          taxpayer to a borrower, to the extent that such a  
26          loan is secured by property which is eligible for  
27          the High Impact Business Investment Credit. To  
28          determine the portion of a loan or loans that is  
29          secured by property eligible for a Section 201(h)  
30          investment credit to the borrower, the entire  
31          principal amount of the loan or loans between the  
32          taxpayer and the borrower should be divided into the  
33          basis of the Section 201(h) investment credit  
34          property which secures the loan or loans, using for

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

14                 (N) Two times any contribution made during the  
15          taxable year to a designated zone organization to  
16          the extent that the contribution (i) qualifies as a  
17          charitable contribution under subsection (c) of  
18          Section 170 of the Internal Revenue Code and (ii)  
19          must, by its terms, be used for a project approved  
20          by the Department of Commerce and Community Affairs  
21          under Section 11 of the Illinois Enterprise Zone  
22          Act;

23                 (O) An amount equal to: (i) 85% for taxable  
24          years ending on or before December 31, 1992, or, a  
25          percentage equal to the percentage allowable under  
26          Section 243(a)(1) of the Internal Revenue Code of  
27          1986 for taxable years ending after December 31,  
28          1992, of the amount by which dividends included in  
29          taxable income and received from a corporation that  
30          is not created or organized under the laws of the  
31          United States or any state or political subdivision  
32          thereof, including, for taxable years ending on or  
33          after December 31, 1988, dividends received or  
34          deemed received or paid or deemed paid under



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

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

22 (Q) An amount equal to the amount of the  
23 deduction used to compute the federal income tax  
24 credit for restoration of substantial amounts held  
25 under claim of right for the taxable year pursuant  
26 to Section 1341 of the Internal Revenue Code of  
27 1986;

28 (R) In the case of an attorney-in-fact with  
29 respect to whom an interinsurer or a reciprocal  
30 insurer has made the election under Section 835 of  
31 the Internal Revenue Code, 26 U.S.C. 835, an amount  
32 equal to the excess, if any, of the amounts paid or  
33 incurred by that interinsurer or reciprocal insurer  
34 in the taxable year to the attorney-in-fact over the

1 deduction allowed to that interinsurer or reciprocal  
 2 insurer with respect to the attorney-in-fact under  
 3 Section 835(b) of the Internal Revenue Code for the  
 4 taxable year; and

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

16 (T) For taxable years 2001 and thereafter, for  
 17 the taxable year in which the bonus depreciation  
 18 deduction (30% of the adjusted basis of the  
 19 qualified property) is taken on the taxpayer's  
 20 federal income tax return under subsection (k) of  
 21 Section 168 of the Internal Revenue Code and for  
 22 each applicable taxable year thereafter, an amount  
 23 equal to "x", where:

24 (1) "y" equals the amount of the  
 25 depreciation deduction taken for the taxable  
 26 year on the taxpayer's federal income tax  
 27 return on property for which the bonus  
 28 depreciation deduction (30% of the adjusted  
 29 basis of the qualified property) was taken in  
 30 any year under subsection (k) of Section 168 of  
 31 the Internal Revenue Code, but not including  
 32 the bonus depreciation deduction; and

33 (2) "x" equals "y" multiplied by 30 and  
 34 then divided by 70 (or "y" multiplied by

1                   0.429).

2                   The aggregate amount deducted under this  
3                   subparagraph in all taxable years for any one piece  
4                   of property may not exceed the amount of the bonus  
5                   depreciation deduction (30% of the adjusted basis of  
6                   the qualified property) taken on that property on  
7                   the taxpayer's federal income tax return under  
8                   subsection (k) of Section 168 of the Internal  
9                   Revenue Code; and

10                   (U) If the taxpayer reports a capital gain or  
11                   loss on the taxpayer's federal income tax return for  
12                   the taxable year based on a sale or transfer of  
13                   property for which the taxpayer was required in any  
14                   taxable year to make an addition modification under  
15                   subparagraph (E-10), then an amount equal to that  
16                   addition modification.

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

20                   (3) Special rule. For purposes of paragraph (2)  
21                   (A), "gross income" in the case of a life insurance  
22                   company, for tax years ending on and after December 31,  
23                   1994, shall mean the gross investment income for the  
24                   taxable year.

25                   (c) Trusts and estates.

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

30                   (2) Modifications. Subject to the provisions of  
31                   paragraph (3), the taxable income referred to in  
32                   paragraph (1) shall be modified by adding thereto the sum  
33                   of the following amounts:

34                   (A) An amount equal to all amounts paid or

1 accrued to the taxpayer as interest or dividends  
2 during the taxable year to the extent excluded from  
3 gross income 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  
8 such case, only to the extent such amount was  
9 deducted in the computation of taxable income;

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

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

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

28 (i) the addition modification relating to  
29 the net operating loss carried back or forward  
30 to the taxable year from any taxable year  
31 ending prior to December 31, 1986 shall be  
32 reduced by the amount of addition modification  
33 under this subparagraph (E) which related to  
34 that net operating loss and which was taken

1           into account in calculating the base income of  
2           an earlier taxable year, and

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

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

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

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

27                   (G-5) For taxable years ending after December  
28          31, 1997, an amount equal to any eligible  
29          remediation costs that the trust or estate deducted  
30          in computing adjusted gross income and for which the  
31          trust or estate claims a credit under subsection (1)  
32          of Section 201;

33                   (G-10) For taxable years 2001 and thereafter,  
34          an amount equal to the bonus depreciation deduction

1           (30% of the adjusted basis of the qualified  
 2           property) taken on the taxpayer's federal income tax  
 3           return for the taxable year under subsection (k) of  
 4           Section 168 of the Internal Revenue Code; and

5           (G-11) If the taxpayer reports a capital gain  
 6           or loss on the taxpayer's federal income tax return  
 7           for the taxable year based on a sale or transfer of  
 8           property for which the taxpayer was required in any  
 9           taxable year to make an addition modification under  
 10           subparagraph (G-10), then an amount equal to the  
 11           aggregate amount of the deductions taken in all  
 12           taxable years under subparagraph (R) with respect to  
 13           that property;

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

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

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

30           (I) The valuation limitation amount;

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

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

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

25           (M) An amount equal to those dividends  
26 included in such total which were paid by a  
27 corporation which conducts business operations in an  
28 Enterprise Zone or zones created under the Illinois  
29 Enterprise Zone Act and conducts substantially all  
30 of its operations in an Enterprise Zone or Zones;

31           (N) An amount equal to any contribution made  
32 to a job training project established pursuant to  
33 the Tax Increment Allocation Redevelopment Act;

34           (O) An amount equal to those dividends

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

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

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



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

17 (R) For taxable years 2001 and thereafter, for  
18 the taxable year in which the bonus depreciation  
19 deduction (30% of the adjusted basis of the  
20 qualified property) is taken on the taxpayer's  
21 federal income tax return under subsection (k) of  
22 Section 168 of the Internal Revenue Code and for  
23 each applicable taxable year thereafter, an amount  
24 equal to "x", where:

25 (1) "y" equals the amount of the  
26 depreciation deduction taken for the taxable  
27 year on the taxpayer's federal income tax  
28 return on property for which the bonus  
29 depreciation deduction (30% of the adjusted  
30 basis of the qualified property) was taken in  
31 any year under subsection (k) of Section 168 of  
32 the Internal Revenue Code, but not including  
33 the bonus depreciation deduction; and

34 (2) "x" equals "y" multiplied by 30 and

1                   then divided by 70 (or "y" multiplied by  
2                   0.429).

3                   The aggregate amount deducted under this  
4                   subparagraph in all taxable years for any one piece  
5                   of property may not exceed the amount of the bonus  
6                   depreciation deduction (30% of the adjusted basis of  
7                   the qualified property) taken on that property on  
8                   the taxpayer's federal income tax return under  
9                   subsection (k) of Section 168 of the Internal  
10                   Revenue Code; and

11                   (S) If the taxpayer reports a capital gain or  
12                   loss on the taxpayer's federal income tax return for  
13                   the taxable year based on a sale or transfer of  
14                   property for which the taxpayer was required in any  
15                   taxable year to make an addition modification under  
16                   subparagraph (G-10), then an amount equal to that  
17                   addition modification.

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

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  
26 set aside for charitable purposes pursuant to Internal  
27 Revenue Code Section 642(c) during the taxable year.

28                   (d) Partnerships.

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

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

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

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

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

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

16           (D-5) For taxable years 2001 and thereafter,  
17 an amount equal to the bonus depreciation deduction  
18 (30% of the adjusted basis of the qualified  
19 property) taken on the taxpayer's federal income tax  
20 return for the taxable year under subsection (k) of  
21 Section 168 of the Internal Revenue Code; and

22           (D-6) If the taxpayer reports a capital gain  
23 or loss on the taxpayer's federal income tax return  
24 for the taxable year based on a sale or transfer of  
25 property for which the taxpayer was required in any  
26 taxable year to make an addition modification under  
27 subparagraph (D-5), then an amount equal to the  
28 aggregate amount of the deductions taken in all  
29 taxable years under subparagraph (D) with respect to  
30 that property;

31           The taxpayer is required to make the addition  
32 modification under this subparagraph only once with  
33 respect to any one piece of property;

34 and by deducting from the total so obtained the following

1 amounts:

2 (E) The valuation limitation amount;

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

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

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

25 (I) An amount equal to all amounts of income  
26 distributable to an entity subject to the Personal  
27 Property Tax Replacement Income Tax imposed by  
28 subsections (c) and (d) of Section 201 of this Act  
29 including amounts distributable to organizations  
30 exempt from federal income tax by reason of Section  
31 501(a) of the Internal Revenue Code;

32 (J) With the exception of any amounts  
33 subtracted under subparagraph (G), an amount equal  
34 to the sum of all amounts disallowed as deductions

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

11 (K) An amount equal to those dividends  
12 included in such total which were paid by a  
13 corporation which conducts business operations in an  
14 Enterprise Zone or zones created under the Illinois  
15 Enterprise Zone Act, enacted by the 82nd General  
16 Assembly, and which does not conduct such operations  
17 other than in an Enterprise Zone or Zones;

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

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

32 (N) An amount equal to the amount of the  
33 deduction used to compute the federal income tax  
34 credit for restoration of substantial amounts held

1 under claim of right for the taxable year pursuant  
2 to Section 1341 of the Internal Revenue Code of  
3 1986;

4 (O) For taxable years 2001 and thereafter, for  
5 the taxable year in which the bonus depreciation  
6 deduction (30% of the adjusted basis of the  
7 qualified property) is taken on the taxpayer's  
8 federal income tax return under subsection (k) of  
9 Section 168 of the Internal Revenue Code and for  
10 each applicable taxable year thereafter, an amount  
11 equal to "x", where:

12 (1) "y" equals the amount of the  
13 depreciation deduction taken for the taxable  
14 year on the taxpayer's federal income tax  
15 return on property for which the bonus  
16 depreciation deduction (30% of the adjusted  
17 basis of the qualified property) was taken in  
18 any year under subsection (k) of Section 168 of  
19 the Internal Revenue Code, but not including  
20 the bonus depreciation deduction; and

21 (2) "x" equals "y" multiplied by 30 and  
22 then divided by 70 (or "y" multiplied by  
23 0.429).

24 The aggregate amount deducted under this  
25 subparagraph in all taxable years for any one piece  
26 of property may not exceed the amount of the bonus  
27 depreciation deduction (30% of the adjusted basis of  
28 the qualified property) taken on that property on  
29 the taxpayer's federal income tax return under  
30 subsection (k) of Section 168 of the Internal  
31 Revenue Code; and

32 (P) If the taxpayer reports a capital gain or  
33 loss on the taxpayer's federal income tax return for  
34 the taxable year based on a sale or transfer of

1           property for which the taxpayer was required in any  
2           taxable year to make an addition modification under  
3           subparagraph (D-5), then an amount equal to that  
4           addition modification.

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

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

9           (1) In general. Subject to the provisions of  
10          paragraph (2) and subsection (b) (3), for purposes of  
11          this Section and Section 803(e), a taxpayer's gross  
12          income, adjusted gross income, or taxable income for the  
13          taxable year shall mean the amount of gross income,  
14          adjusted gross income or taxable income properly  
15          reportable for federal income tax purposes for the  
16          taxable year under the provisions of the Internal Revenue  
17          Code. Taxable income may be less than zero. However, for  
18          taxable years ending on or after December 31, 1986, net  
19          operating loss carryforwards from taxable years ending  
20          prior to December 31, 1986, may not exceed the sum of  
21          federal taxable income for the taxable year before net  
22          operating loss deduction, plus the excess of addition  
23          modifications over subtraction modifications for the  
24          taxable year. For taxable years ending prior to December  
25          31, 1986, taxable income may never be an amount in excess  
26          of the net operating loss for the taxable year as defined  
27          in subsections (c) and (d) of Section 172 of the Internal  
28          Revenue Code, provided that when taxable income of a  
29          corporation (other than a Subchapter S corporation),  
30          trust, or estate is less than zero and addition  
31          modifications, other than those provided by subparagraph  
32          (E) of paragraph (2) of subsection (b) for corporations  
33          or subparagraph (E) of paragraph (2) of subsection (c)  
34          for trusts and estates, exceed subtraction modifications,

1 an addition modification must be made under those  
2 subparagraphs for any other taxable year to which the  
3 taxable income less than zero (net operating loss) is  
4 applied under Section 172 of the Internal Revenue Code or  
5 under subparagraph (E) of paragraph (2) of this  
6 subsection (e) applied in conjunction with Section 172 of  
7 the Internal Revenue Code.

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

11 (A) Certain life insurance companies. In the  
12 case of a life insurance company subject to the tax  
13 imposed by Section 801 of the Internal Revenue Code,  
14 life insurance company taxable income, plus the  
15 amount of distribution from pre-1984 policyholder  
16 surplus accounts as calculated under Section 815a of  
17 the Internal Revenue Code;

18 (B) Certain other insurance companies. In the  
19 case of mutual insurance companies subject to the  
20 tax imposed by Section 831 of the Internal Revenue  
21 Code, insurance company taxable income;

22 (C) Regulated investment companies. In the  
23 case of a regulated investment company subject to  
24 the tax imposed by Section 852 of the Internal  
25 Revenue Code, investment company taxable income;

26 (D) Real estate investment trusts. In the  
27 case of a real estate investment trust subject to  
28 the tax imposed by Section 857 of the Internal  
29 Revenue Code, real estate investment trust taxable  
30 income;

31 (E) Consolidated corporations. In the case of  
32 a corporation which is a member of an affiliated  
33 group of corporations filing a consolidated income  
34 tax return for the taxable year for federal income



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

10 (F) Cooperatives. In the case of a  
11 cooperative corporation or association, the taxable  
12 income of such organization determined in accordance  
13 with the provisions of Section 1381 through 1388 of  
14 the Internal Revenue Code;

15 (G) Subchapter S corporations. In the case  
16 of: (i) a Subchapter S corporation for which there  
17 is in effect an election for the taxable year under  
18 Section 1362 of the Internal Revenue Code, the  
19 taxable income of such corporation determined in  
20 accordance with Section 1363(b) of the Internal  
21 Revenue Code, except that taxable income shall take  
22 into account those items which are required by  
23 Section 1363(b)(1) of the Internal Revenue Code to  
24 be separately stated; and (ii) a Subchapter S  
25 corporation for which there is in effect a federal  
26 election to opt out of the provisions of the  
27 Subchapter S Revision Act of 1982 and have applied  
28 instead the prior federal Subchapter S rules as in  
29 effect on July 1, 1982, the taxable income of such  
30 corporation determined in accordance with the  
31 federal Subchapter S rules as in effect on July 1,  
32 1982; and

33 (H) Partnerships. In the case of a  
34 partnership, taxable income determined in accordance

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

7 (f) Valuation limitation amount.

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

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

17 (B) The lesser of (i) the sum of the  
18 pre-August 1, 1969 appreciation amounts (to the  
19 extent consisting of capital gain) for all property  
20 in respect of which such gain was reported for  
21 federal income tax purposes for the taxable year, or  
22 (ii) the net capital gain for the taxable year,  
23 reduced in either case by any amount of such gain  
24 included in the amount determined under subsection  
25 (a) (2) (F) or (c) (2) (H).

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

27 (A) If the fair market value of property  
28 referred to in paragraph (1) was readily  
29 ascertainable on August 1, 1969, the pre-August 1,  
30 1969 appreciation amount for such property is the  
31 lesser of (i) the excess of such fair market value  
32 over the taxpayer's basis (for determining gain) for  
33 such property on that date (determined under the  
34 Internal Revenue Code as in effect on that date), or

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

4 (B) If the fair market value of property  
5 referred to in paragraph (1) was not readily  
6 ascertainable on August 1, 1969, the pre-August 1,  
7 1969 appreciation amount for such property is that  
8 amount which bears the same ratio to the total gain  
9 reported in respect of the property for federal  
10 income tax purposes for the taxable year, as the  
11 number of full calendar months in that part of the  
12 taxpayer's holding period for the property ending  
13 July 31, 1969 bears to the number of full calendar  
14 months in the taxpayer's entire holding period for  
15 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  
23 by this Section there shall be no modifications or  
24 limitations on the amounts of income, gain, loss or deduction  
25 taken into account in determining gross income, adjusted  
26 gross income or taxable income for federal income tax  
27 purposes for the taxable year, or in the amount of such items  
28 entering into the computation of base income and net income  
29 under this Act for such taxable year, whether in respect of  
30 property values as of August 1, 1969 or otherwise.

31 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
32 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
33 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,

1 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
2 revised 9-21-01.)

3 Section 5. The Use Tax Act is amended by changing  
4 Section 3-7 as follows:

5 (35 ILCS 105/3-7)

6 Sec. 3-7. Aggregate manufacturing exemption. Through  
7 December 31, 2007, the use of aggregate exploration, mining,  
8 offhighway hauling, processing, maintenance, and reclamation  
9 equipment, including replacement parts and equipment, and  
10 including equipment purchased for lease, but excluding motor  
11 vehicles required to be registered under the Illinois Vehicle  
12 Code, is exempt from the tax imposed by this Act.

13 (Source: P.A. 90-529, eff. 11-14-97.)

14 Section 10. The Service Use Tax Act is amended by  
15 changing Section 3-7 as follows:

16 (35 ILCS 110/3-7)

17 Sec. 3-7. Aggregate manufacturing exemption. Through  
18 December 31, 2007, the use of aggregate exploration, mining,  
19 offhighway hauling, processing, maintenance, and reclamation  
20 equipment, including replacement parts and equipment, and  
21 including equipment purchased for lease, but excluding motor  
22 vehicles required to be registered under the Illinois Vehicle  
23 Code, is exempt from the tax imposed by this Act.

24 (Source: P.A. 90-529, eff. 11-14-97.)

25 Section 15. The Service Occupation Tax Act is amended by  
26 changing Section 3-7 as follows:

27 (35 ILCS 115/3-7)

28 Sec. 3-7. Aggregate manufacturing exemption. Through

1     December 31, 2007, aggregate exploration, mining, offhighway  
2     hauling, processing, maintenance, and reclamation equipment,  
3     including replacement parts and equipment, and including  
4     equipment purchased for lease, but excluding motor vehicles  
5     required to be registered under the Illinois Vehicle Code, is  
6     exempt from the tax imposed by this Act.

7     (Source: P.A. 90-529, eff. 11-14-97.)

8             Section 20. The Retailers' Occupation Tax Act is amended  
9     by changing Section 2-7 as follows:

10            (35 ILCS 120/2-7)

11            Sec. 2-7. Aggregate manufacturing exemption. Through  
12     December 31, 2007, gross receipts from proceeds from the sale  
13     of aggregate exploration, mining, offhighway hauling,  
14     processing, maintenance, and reclamation equipment, including  
15     replacement parts and equipment, and including equipment  
16     purchased for lease, but excluding motor vehicles required to  
17     be registered under the Illinois Vehicle Code, are exempt  
18     from the tax imposed by this Act.

19     (Source: P.A. 90-529, eff. 11-14-97.)

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