



## 100TH GENERAL ASSEMBLY

### State of Illinois

2017 and 2018

**HB4775**

by Rep. Jaime M. Andrade, Jr.

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction in an amount equal to the difference between (i) the amount paid by the taxpayer in property taxes during the taxable year and (ii) \$10,000, but not to exceed \$5,000 per taxpayer in any taxable year. Effective immediately.

LRB100 18277 HLH 33481 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

26 The taxpayer is required to make the addition

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

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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



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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (D-24) For taxable years ending on or after  
16 December 31, 2017, 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; and

15 -

16 (HH) For taxable years ending on or after December  
17 31, 2018, an amount equal to the difference between (i)  
18 the amount paid by the taxpayer in property taxes  
19 during the taxable year and (ii) \$10,000, but not to  
20 exceed \$5,000 per taxpayer in any taxable year. This  
21 subparagraph (HH) is exempt from the provisions of  
22 Section 250.

23 (b) Corporations.

24 (1) In general. In the case of a corporation, base  
25 income means an amount equal to the taxpayer's taxable

1 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

11           (i) 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 be reduced by the amount of  
15 addition modification under this subparagraph (E)  
16 which related to that net operating loss and which  
17 was taken into account in calculating the base  
18 income of an earlier taxable year, and

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

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

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

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

10 (E-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;

15 (E-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 (E-10), then  
19 an amount equal to the aggregate amount of the  
20 deductions taken in all taxable years under  
21 subparagraph (T) 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 (T), 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 (E-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 the foreign person's business activity outside  
13 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 (E-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(b)(2)(E-12) of  
4 this Act. As used in this subparagraph, the term  
5 "intangible expenses and costs" includes (1) expenses,  
6 losses, and costs for, or related to, the direct or  
7 indirect acquisition, use, maintenance or management,  
8 ownership, sale, exchange, or any other disposition of  
9 intangible property; (2) losses incurred, directly or  
10 indirectly, from factoring transactions or discounting  
11 transactions; (3) royalty, patent, technical, and  
12 copyright fees; (4) licensing fees; and (5) other  
13 similar expenses and costs. For purposes of this  
14 subparagraph, "intangible property" includes patents,  
15 patent applications, trade names, trademarks, service  
16 marks, copyrights, mask works, trade secrets, and  
17 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           (E-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(b)(2)(E-12) or  
6 Section 203(b)(2)(E-13) of this Act;

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

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

16 (E-17) For taxable years ending on or after  
17 December 31, 2017, an amount equal to the deduction  
18 allowed under Section 199 of the Internal Revenue Code  
19 for the taxable year;

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

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

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

1           (H) In the case of a regulated investment company,  
2           an amount equal to the amount of exempt interest  
3           dividends as defined in subsection (b) (5) of Section  
4           852 of the Internal Revenue Code, paid to shareholders  
5           for the taxable year;

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



1 Section 807(b)(1)(B) of the Internal Revenue Code (in  
2 the case of a life insurance company allowed a  
3 deduction for an increase in reserves for the tax  
4 year); the provisions of this subparagraph are exempt  
5 from the provisions of Section 250;

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

23 (L) An amount equal to those dividends included in  
24 such total that were paid by a corporation that  
25 conducts business operations in a federally designated  
26 Foreign Trade Zone or Sub-Zone and that is designated a

1 High Impact Business located in Illinois; provided  
2 that dividends eligible for the deduction provided in  
3 subparagraph (K) of paragraph 2 of this subsection  
4 shall not be eligible for the deduction provided under  
5 this subparagraph (L);

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

1 provisions of Section 250;

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

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

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

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

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

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

1 the Internal Revenue Code;

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

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

25 (T) For taxable years 2001 and thereafter, for the  
26 taxable year in which the bonus depreciation deduction

1 is taken on the taxpayer's federal income tax return  
2 under subsection (k) of Section 168 of the Internal  
3 Revenue Code and for each applicable taxable year  
4 thereafter, an amount equal to "x", where:

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

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

16 (3) for taxable years ending after December  
17 31, 2005:

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

23 (ii) for property on which a bonus  
24 depreciation deduction of 50% of the adjusted  
25 basis was taken, "x" equals "y" multiplied by  
26 1.0.

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

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

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 required in any taxable year to make an addition  
19          modification under subparagraph (E-10), then an amount  
20          equal to that addition modification.

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

24          This subparagraph (U) is exempt from the  
25          provisions of Section 250;

26          (V) The amount of: (i) any interest income (net of



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

25 (W) An amount equal to the interest income taken  
26 into account for the taxable year (net of the

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

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

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

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

1           pursuant to this subparagraph (Y). This subparagraph  
2           (Y) is exempt from the provisions of Section 250; and

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

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

19          (c) Trusts and estates.

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

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

1 following amounts:

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

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

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

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 taxable year, with

1 the following limitations applied in the order that  
2 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 (F) For taxable years ending on or after January 1,  
24 1989, an amount equal to the tax deducted pursuant to  
25 Section 164 of the Internal Revenue Code if the trust  
26 or estate is claiming the same tax for purposes of the

1 Illinois foreign tax credit under Section 601 of this  
2 Act;

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

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

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

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

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

1 federal income tax purposes and for which the taxpayer  
2 was allowed in any taxable year to make a subtraction  
3 modification under subparagraph (R), then an amount  
4 equal to that subtraction modification.

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

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



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

9 This paragraph shall not apply to the following:

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

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

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

24 (b) the transaction giving rise to the  
25 interest expense between the taxpayer and the  
26 person did not have as a principal purpose the

1 avoidance of Illinois income tax, and is paid  
2 pursuant to a contract or agreement that  
3 reflects an arm's-length interest rate and  
4 terms; or

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

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

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

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

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

20 This paragraph shall not apply to the following:

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

1 to such item; or

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

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

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

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

26 Nothing in this subsection shall preclude the

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

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

1 and amounts included in gross income under Section 78  
2 of the Internal Revenue Code) with respect to the stock  
3 of the same person to whom the premiums and costs were  
4 directly or indirectly paid, incurred, or accrued. The  
5 preceding sentence does not apply to the extent that  
6 the same dividends caused a reduction to the addition  
7 modification required under Section 203(c)(2)(G-12) or  
8 Section 203(c)(2)(G-13) of this Act;

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

13 (G-16) For taxable years ending on or after  
14 December 31, 2017, an amount equal to the deduction  
15 allowed under Section 199 of the Internal Revenue Code  
16 for the taxable year;

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

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

1 earnings from self employment by Section 1402 of the  
2 Internal Revenue Code and regulations adopted pursuant  
3 thereto;

4 (I) The valuation limitation amount;

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

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

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



1           265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue  
2           Code, plus, (iii) for taxable years ending on or after  
3           December 31, 2011, Section 45G(e)(3) of the Internal  
4           Revenue Code and, for taxable years ending on or after  
5           December 31, 2008, any amount included in gross income  
6           under Section 87 of the Internal Revenue Code; the  
7           provisions of this subparagraph are exempt from the  
8           provisions of Section 250;

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

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

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

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

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

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

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

1 the bonus depreciation deduction;

2 (2) for taxable years ending on or before  
3 December 31, 2005, "x" equals "y" multiplied by 30  
4 and then divided by 70 (or "y" multiplied by  
5 0.429); and

6 (3) for taxable years ending after December  
7 31, 2005:

8 (i) for property on which a bonus  
9 depreciation deduction of 30% of the adjusted  
10 basis was taken, "x" equals "y" multiplied by  
11 30 and then divided by 70 (or "y" multiplied by  
12 0.429); and

13 (ii) for property on which a bonus  
14 depreciation deduction of 50% of the adjusted  
15 basis was taken, "x" equals "y" multiplied by  
16 1.0.

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

25 (S) If the taxpayer sells, transfers, abandons, or  
26 otherwise disposes of property for which the taxpayer

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

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

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

14 This subparagraph (S) is exempt from the  
15 provisions of Section 250;

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

1 is required to make an addition modification with  
2 respect to such transaction under Section  
3 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
4 203(d)(2)(D-8), but not to exceed the amount of such  
5 addition modification. This subparagraph (T) is exempt  
6 from the provisions of Section 250;

7 (U) An amount equal to the interest income taken  
8 into account for the taxable year (net of the  
9 deductions allocable thereto) with respect to  
10 transactions with (i) a foreign person who would be a  
11 member of the taxpayer's unitary business group but for  
12 the fact the foreign person's business activity  
13 outside the United States is 80% or more of that  
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, but not to exceed the  
22 addition modification required to be made for the same  
23 taxable year under Section 203(c)(2)(G-12) for  
24 interest paid, accrued, or incurred, directly or  
25 indirectly, to the same person. This subparagraph (U)  
26 is exempt from the provisions of Section 250;

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

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

1 of taxable income. This subparagraph (W) is exempt from  
2 Section 250;

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

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

23 (3) Limitation. The amount of any modification  
24 otherwise required under this subsection shall, under  
25 regulations prescribed by the Department, be adjusted by  
26 any amounts included therein which were properly paid,



1 credited, or required to be distributed, or permanently set  
2 aside for charitable purposes pursuant to Internal Revenue  
3 Code Section 642(c) during the taxable year.

4 (d) Partnerships.

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

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

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

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

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

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

25 (D-5) For taxable years 2001 and thereafter, an

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

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

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

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

22 (D-7) An amount equal to the amount otherwise  
23 allowed as a deduction in computing base income for  
24 interest paid, accrued, or incurred, directly or  
25 indirectly, (i) for taxable years ending on or after  
26 December 31, 2004, to a foreign person who would be a

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

23 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

8 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

23 (D-9) For taxable years ending on or after December  
24 31, 2008, an amount equal to the amount of insurance  
25 premium expenses and costs otherwise allowed as a  
26 deduction in computing base income, and that were paid,



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

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

1           (D-11) For taxable years ending on or after  
2           December 31, 2017, an amount equal to the deduction  
3           allowed under Section 199 of the Internal Revenue Code  
4           for the taxable year;

5           and by deducting from the total so obtained the following  
6           amounts:

7           (E) The valuation limitation amount;

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

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

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

1           this subparagraph (H) is exempt from the provisions of  
2           Section 250;

3           (I) An amount equal to all amounts of income  
4           distributable to an entity subject to the Personal  
5           Property Tax Replacement Income Tax imposed by  
6           subsections (c) and (d) of Section 201 of this Act  
7           including amounts distributable to organizations  
8           exempt from federal income tax by reason of Section  
9           501(a) of the Internal Revenue Code; this subparagraph  
10          (I) is exempt from the provisions of Section 250;

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

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

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

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

21           (N) 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           (O) For taxable years 2001 and thereafter, for the

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

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

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

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

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

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

1                   1.0.

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

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

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

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

25                  This subparagraph (P) is exempt from the  
26                  provisions of Section 250;

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

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

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

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



1 addition modification required to be made for the same  
2 taxable year under Section 203(d)(2)(D-8) for  
3 intangible expenses and costs paid, accrued, or  
4 incurred, directly or indirectly, to the same person.  
5 This subparagraph (S) is exempt from Section 250; and

6 (T) 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(d)(2)(D-9), 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 (T), 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 (T). This subparagraph  
20 (T) is exempt from the provisions of Section 250.

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

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

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

1 (e) applied in conjunction with Section 172 of the Internal  
2 Revenue Code.

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

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

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

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

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

25 (E) Consolidated corporations. In the case of a  
26 corporation which is a member of an affiliated group of

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

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

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

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

1           instead the prior federal Subchapter S rules as in  
2           effect on July 1, 1982, the taxable income of such  
3           corporation determined in accordance with the federal  
4           Subchapter S rules as in effect on July 1, 1982; and

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

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

1 the taxable year and for the 2 immediately preceding  
2 taxable years.

3 (f) Valuation limitation amount.

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

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

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

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

21 (A) If the fair market value of property referred  
22 to in paragraph (1) was readily ascertainable on August  
23 1, 1969, the pre-August 1, 1969 appreciation amount for  
24 such property is the lesser of (i) the excess of such  
25 fair market value over the taxpayer's basis (for

1           determining gain) for such property on that date  
2           (determined under the Internal Revenue Code as in  
3           effect on that date), or (ii) the total gain realized  
4           and reportable for federal income tax purposes in  
5           respect of the sale, exchange or other disposition of  
6           such property.

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

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

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

24          (h) Legislative intention. Except as expressly provided by



1 this Section there shall be no modifications or limitations on  
2 the amounts of income, gain, loss or deduction taken into  
3 account in determining gross income, adjusted gross income or  
4 taxable income for federal income tax purposes for the taxable  
5 year, or in the amount of such items entering into the  
6 computation of base income and net income under this Act for  
7 such taxable year, whether in respect of property values as of  
8 August 1, 1969 or otherwise.

9 (Source: P.A. 100-22, eff. 7-6-17.)

10 Section 99. Effective date. This Act takes effect upon  
11 becoming law.