

HB4921



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB4921

by Rep. Natalie A. Manley

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.6
35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the State Treasurer Act. Provides that contributions to an ABLE account during the taxable year may be deducted from adjusted gross income in a specified Section of the Illinois Income Tax Act. Defines "donor". Amends the Illinois Income Tax Act. Provides for the modification of adjusted gross income for taxable years beginning on or after January 1, 2019 by adding a maximum of \$10,000 contributed in the taxable year to an ABLE account to the calculation of adjusted gross income. Effective immediately.

LRB100 17356 RJF 32520 b

A BILL FOR

1 AN ACT concerning State government.

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

4 Section 5. The State Treasurer Act is amended by changing
5 Section 16.6 as follows:

6 (15 ILCS 505/16.6)

7 Sec. 16.6. ABLE account program.

8 (a) As used in this Section:

9 "ABLE account" or "account" means an account established
10 for the purpose of financing certain qualified expenses of
11 eligible individuals as specifically provided for in this
12 Section and authorized by Section 529A of the Internal Revenue
13 Code.

14 "ABLE account plan" or "plan" means the savings account
15 plan provided for in this Section.

16 "Account administrator" means the person selected by the
17 State Treasurer to administer the daily operations of the ABLE
18 account plan and provide marketing, recordkeeping, investment
19 management, and other services for the plan.

20 "Aggregate account balance" means the amount in an account
21 on a particular date or the fair market value of an account on
22 a particular date.

23 "Beneficiary" means the ABLE account owner.

1 "Board" means the Illinois State Board of Investment.

2 "Contracting state" means a state without a qualified ABLE
3 program which has entered into a contract with Illinois to
4 provide residents of the contracting state access to a
5 qualified ABLE program.

6 "Designated representative" means a person who is
7 authorized to act on behalf of an account owner. An account
8 owner is authorized to act on his or her own behalf unless the
9 account owner is a minor or the account owner has been
10 adjudicated to have a disability so that a guardian has been
11 appointed. A designated representative acts in a fiduciary
12 capacity to the account owner. The State Treasurer shall
13 recognize a person as a designated representative without
14 appointment by a court in the following order of priority:

15 (1) The account owner's plenary guardian of the estate,
16 or the account owner's limited guardian of financial or
17 contractual matters. Any guardian acting in this capacity
18 shall not be required to seek court approval for any ABLE
19 qualified distributions.

20 (2) The agent named by the account owner in a property
21 power of attorney recognized as a statutory short form
22 power of attorney for property.

23 (3) Such individual or entity that the account owner so
24 designates in writing, in a manner to be established by the
25 State Treasurer.

26 (4) Such other individual or entity designated by the

1 State Treasurer pursuant to its rules.

2 "Disability certification" has the meaning given to that
3 term under Section 529A of the Internal Revenue Code.

4 "Donor" means any person who makes a contribution to an
5 ABLE account.

6 "Eligible individual" has the meaning given to that term
7 under Section 529A of the Internal Revenue Code.

8 "Participation agreement" means an agreement to
9 participate in the ABLE account plan between an account owner
10 and the State, through its agencies and the State Treasurer.

11 "Qualified disability expenses" has the meaning given to
12 that term under Section 529A of the Internal Revenue Code.

13 "Qualified withdrawal" or "qualified distribution" means a
14 withdrawal from an ABLE account to pay the qualified disability
15 expenses of the beneficiary of the account.

16 (b) The "Achieving a Better Life Experience" or "ABLE"
17 account program is hereby created and shall be administered by
18 the State Treasurer. The purpose of the ABLE plan is to
19 encourage and assist individuals and families in saving private
20 funds for the purpose of supporting individuals with
21 disabilities to maintain health, independence, and quality of
22 life, and to provide secure funding for disability-related
23 expenses on behalf of designated beneficiaries with
24 disabilities that will supplement, but not supplant, benefits
25 provided through private insurance, federal and State medical
26 and disability insurance, the beneficiary's employment, and

1 other sources. Under the plan, a person may make contributions
2 to an ABLE account to meet the qualified disability expenses of
3 the designated beneficiary of the account. The plan must be
4 operated as an accounts-type plan that permits persons to save
5 for qualified disability expenses incurred by or on behalf of
6 an eligible individual.

7 The State Treasurer shall promote awareness of the
8 availability and advantages of the ABLE account plan as a way
9 to assist individuals and families in saving private funds for
10 the purpose of supporting individuals with disabilities. The
11 cost of these promotional efforts shall not be funded with fees
12 imposed on participants by the State Treasurer.

13 The State Treasurer shall not accept contributions for ABLE
14 accounts under this Section until the Internal Revenue Service
15 has issued its final regulations or interim guidance concerning
16 ABLE accounts.

17 A separate account must be maintained for each beneficiary
18 for whom contributions are made, and no more than one account
19 shall be established per beneficiary. If an ABLE account is
20 established for a designated beneficiary, no account
21 subsequently established for such beneficiary shall be treated
22 as an ABLE account. The preceding sentence shall not apply in
23 the case of an ABLE account established for purposes of a
24 rollover as permitted under Section 529A of the Internal
25 Revenue Code.

26 An ABLE account may be established under this Section for a

1 designated beneficiary who is a resident of Illinois, a
2 resident of a contracting state, or a resident of any other
3 state.

4 Prior to the establishment of an ABLE account, an account
5 owner must provide documentation to the State Treasurer that
6 the account beneficiary is an eligible individual.

7 Annual contributions to an ABLE account on behalf of a
8 beneficiary are subject to the requirements of subsection (b)
9 of Section 529A of the Internal Revenue Code. No person may
10 make a contribution to an ABLE account if such a contribution
11 would result in the aggregate account balance of an ABLE
12 account exceeding the account balance limit authorized under
13 Section 529A of the Internal Revenue Code. The Treasurer shall
14 review the contribution limit at least annually.

15 The State Treasurer shall administer the plan, including
16 accepting and processing applications, maintaining account
17 records, making payments, and undertaking any other necessary
18 tasks to administer the plan, including the appointment of an
19 account administrator. The State Treasurer may contract with
20 one or more third parties to carry out some or all of these
21 administrative duties, including, but not limited to,
22 providing investment management services, incentives, and
23 marketing the plan.

24 In designing and establishing the plan's requirements and
25 in negotiating or entering into contracts with third parties
26 under this Section, the State Treasurer shall consult with the

1 Board. The State Treasurer shall establish fees to be imposed
2 on participants to recover the costs of administration,
3 recordkeeping, and investment management. The State Treasurer
4 must use his or her best efforts to keep these fees as low as
5 possible, consistent with efficient administration.

6 The Illinois ABLE Accounts Administrative Fund is created
7 as a nonappropriated trust fund in the State treasury. The
8 State Treasurer shall use moneys in the Administrative Fund to
9 pay for administrative expenses he or she incurs in the
10 performance of his or her duties under this Section. The State
11 Treasurer shall use moneys in the Administrative Fund to cover
12 administrative expenses incurred under this Section. The
13 Administrative Fund may receive any grants or other moneys
14 designated for administrative purposes from the State, or any
15 unit of federal, state, or local government, or any other
16 person, firm, partnership, or corporation. Any interest
17 earnings that are attributable to moneys in the Administrative
18 Fund must be deposited into the Administrative Fund. Any fees
19 established by the State Treasurer to recover the costs of
20 administration, recordkeeping, and investment management shall
21 be deposited into the Administrative Fund.

22 Subject to appropriation, the State Treasurer may pay
23 administrative costs associated with the creation and
24 management of the plan until sufficient assets are available in
25 the Administrative Fund for that purpose.

26 Applications for accounts, account owner data, account

1 data, and data on beneficiaries of accounts are confidential
2 and exempt from disclosure under the Freedom of Information
3 Act.

4 (c) The State Treasurer may invest the moneys in ABLE
5 accounts in the same manner and in the same types of
6 investments provided for the investment of moneys by the Board.
7 To enhance the safety and liquidity of ABLE accounts, to ensure
8 the diversification of the investment portfolio of accounts,
9 and in an effort to keep investment dollars in the State, the
10 State Treasurer may make a percentage of each account available
11 for investment in participating financial institutions doing
12 business in the State, except that the accounts may be invested
13 without limit in investment options from open-ended investment
14 companies registered under Section 80a of the federal
15 Investment Company Act of 1940. The State Treasurer may
16 contract with one or more third parties for investment
17 management, recordkeeping, or other services in connection
18 with investing the accounts.

19 The account administrator shall annually prepare and adopt
20 a written statement of investment policy that includes a risk
21 management and oversight program. The risk management and
22 oversight program shall be designed to ensure that an effective
23 risk management system is in place to monitor the risk levels
24 of the ABLE plan, to ensure that the risks taken are prudent
25 and properly managed, to provide an integrated process for
26 overall risk management, and to assess investment returns as

1 well as risk to determine if the risks taken are adequately
2 compensated compared to applicable performance benchmarks and
3 standards.

4 The State Treasurer may enter into agreements with other
5 states to either allow Illinois residents to participate in a
6 plan operated by another state or to allow residents of other
7 states to participate in the Illinois ABLE plan.

8 (d) The State Treasurer shall ensure that the plan meets
9 the requirements for an ABLE account under Section 529A of the
10 Internal Revenue Code. The State Treasurer may request a
11 private letter ruling or rulings from the Internal Revenue
12 Service and must take any necessary steps to ensure that the
13 plan qualifies under relevant provisions of federal law.
14 Notwithstanding the foregoing, any determination by the
15 Secretary of the Treasury of the United States that an account
16 was utilized to make non-qualified distributions shall not
17 result in an ABLE account being disregarded as a resource.

18 A person may make contributions to an ABLE account on
19 behalf of a beneficiary. Contributions to an account made by
20 persons other than the account owner become the property of the
21 account owner. Contributions to an account shall be considered
22 as a transfer of assets for fair market value. A person does
23 not acquire an interest in an ABLE account by making
24 contributions to an account. A contribution to any account for
25 a beneficiary must be rejected if the contribution would cause
26 either the aggregate or annual account balance of the account

1 to exceed the limits imposed by Section 529A of the Internal
2 Revenue Code.

3 Any change in account owner must be done in a manner
4 consistent with Section 529A of the Internal Revenue Code.

5 Notice of any proposed amendments to the rules and
6 regulations shall be provided to all owners or their designated
7 representatives prior to adoption. Amendments to rules and
8 regulations shall apply only to contributions made after the
9 adoption of the amendment. Amendments to this Section
10 automatically amend the participation agreement. Any
11 amendments to the operating procedures and policies of the plan
12 shall automatically amend the participation agreement after
13 adoption by the State Treasurer.

14 All assets of the plan, including any contributions to
15 accounts, are held in trust for the exclusive benefit of the
16 account owner and shall be considered spendthrift accounts
17 exempt from all of the owner's creditors. The plan shall
18 provide separate accounting for each designated beneficiary
19 sufficient to satisfy the requirements of paragraph (3) of
20 subsection (b) of Section 529A of the Internal Revenue Code.
21 Assets must be held in either a state trust fund outside the
22 State treasury, to be known as the Illinois ABLE plan trust
23 fund, or in accounts with a third-party provider selected
24 pursuant to this Section. Amounts contributed to ABLE accounts
25 shall not be commingled with State funds and the State shall
26 have no claim to or against, or interest in, such funds.

1 Plan assets are not subject to claims by creditors of the
2 State and are not subject to appropriation by the State.
3 Payments from the Illinois ABLE account plan shall be made
4 under this Section.

5 The assets of ABLE accounts and their income may not be
6 used as security for a loan.

7 The assets of ABLE accounts and their income and operation
8 shall be exempt from all taxation by the State of Illinois and
9 any of its subdivisions to the extent exempt from federal
10 income taxation. The accrued earnings on investments in an ABLE
11 account once disbursed on behalf of a designated beneficiary
12 shall be similarly exempt from all taxation by the State of
13 Illinois and its subdivisions to the extent exempt from federal
14 income taxation, so long as they are used for qualified
15 expenses.

16 Contributions to an ABLE account during the taxable year
17 may be deducted from adjusted gross income as provided in
18 Section 203 of the Illinois Income Tax Act. The provisions of
19 this paragraph are exempt from Section 250 of the Illinois
20 Income Tax Act.

21 Notwithstanding any other provision of law that requires
22 consideration of one or more financial circumstances of an
23 individual, for the purpose of determining eligibility to
24 receive, or the amount of, any assistance or benefit authorized
25 by such provision to be provided to or for the benefit of such
26 individual, any amount, including earnings thereon, in the ABLE

1 account of such individual, any contributions to the ABLE
2 account of the individual, and any distribution for qualified
3 disability expenses shall be disregarded for such purpose with
4 respect to any period during which such individual maintains,
5 makes contributions to, or receives distributions from such
6 ABLE account.

7 (e) The account owner or the designated representative of
8 the account owner may request that a qualified distribution be
9 made for the benefit of the account owner. Qualified
10 distributions shall be made for qualified disability expenses
11 allowed pursuant to Section 529A of the Internal Revenue Code.
12 Qualified distributions must be withdrawn proportionally from
13 contributions and earnings in an account owner's account on the
14 date of distribution as provided in Section 529A of the
15 Internal Revenue Code. Upon the death of a beneficiary, the
16 amount remaining in the beneficiary's account must be
17 distributed pursuant to subsection (f) of Section 529A of the
18 Internal Revenue Code.

19 (f) The State Treasurer may adopt rules to carry out the
20 purposes of this Section. The State Treasurer shall further
21 have the power to issue peremptory rules necessary to ensure
22 that ABLE accounts meet all of the requirements for a qualified
23 state ABLE program under Section 529A of the Internal Revenue
24 Code and any regulations issued by the Internal Revenue
25 Service.

26 (Source: P.A. 99-145, eff. 1-1-16; 99-563, eff. 7-15-16.)

1 Section 10. The Illinois Income Tax Act is amended by
2 changing Section 203 as follows:

3 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

4 Sec. 203. Base income defined.

5 (a) Individuals.

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

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

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

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

24 (C) An amount equal to the amount received during

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

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

16 (D-5) An amount, to the extent not included in
17 adjusted gross income, equal to the amount of money
18 withdrawn by the taxpayer in the taxable year from a
19 medical care savings account and the interest earned on
20 the account in the taxable year of a withdrawal
21 pursuant to subsection (b) of Section 20 of the Medical
22 Care Savings Account Act or subsection (b) of Section
23 20 of the Medical Care Savings Account Act of 2000;

24 (D-10) For taxable years ending after December 31,
25 1997, an amount equal to any eligible remediation costs
26 that the individual deducted in computing adjusted

1 gross income and for which the individual claims a
2 credit under subsection (l) of Section 201;

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

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

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 allowed in any taxable year to make a subtraction
20 modification under subparagraph (Z), then an amount
21 equal to that subtraction modification.

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

25 (D-17) An amount equal to the amount otherwise
26 allowed as a deduction in computing base income for

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

25 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

10 This paragraph shall not apply to the following:

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

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

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

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

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

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

25 (D-19) For taxable years ending on or after
26 December 31, 2008, an amount equal to the amount of

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

25 (D-20) For taxable years beginning on or after
26 January 1, 2002 and ending on or before December 31,

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

1 gross income under Section 529(c)(3)(B).

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

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

21 (D-22) For taxable years beginning on or after
22 January 1, 2009, in the case of a nonqualified
23 withdrawal or refund of moneys from a qualified tuition
24 program under Section 529 of the Internal Revenue Code
25 administered by the State that is not used for
26 qualified expenses at an eligible education

1 institution, an amount equal to the contribution
2 component of the nonqualified withdrawal or refund
3 that was previously deducted from base income under
4 subsection (a)(2)(y) of this Section, provided that
5 the withdrawal or refund did not result from the
6 beneficiary's death or disability;

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

11 (D-24) For taxable years ending on or after
12 December 31, 2017, an amount equal to the deduction
13 allowed under Section 199 of the Internal Revenue Code
14 for the taxable year;

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

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

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

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

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

7 (G) The valuation limitation amount;

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

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

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

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

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

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

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

1 provisions of Section 250;

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

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

14 (P) An amount equal to the amount of the deduction
15 used to compute the federal income tax credit for
16 restoration of substantial amounts held under claim of
17 right for the taxable year pursuant to Section 1341 of
18 the Internal Revenue Code or of any itemized deduction
19 taken from adjusted gross income in the computation of
20 taxable income for restoration of substantial amounts
21 held under claim of right for the taxable year;

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

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

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

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

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

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

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

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

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

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

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

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

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

6 (Y-5) For taxable years beginning on or after
7 January 1, 2019, a maximum of \$10,000 contributed in
8 the taxable year to an ABLE account under Section 16.6
9 of the State Treasurer Act. This subparagraph (Y-5) is
10 exempt from the provisions of Section 250 of this Act;

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

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

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

1 0.429); and

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

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

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

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

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

26 If the taxpayer continues to own property through

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

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

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

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

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

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

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

26 (EE) An amount equal to the income from intangible

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

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

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

16 (b) Corporations.

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

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

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

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

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

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

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

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

1 subtraction modifications in such earlier taxable
2 year, with the following limitations applied in the
3 order that they are listed:

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

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

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

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

1 gross income and for which the corporation claims a
2 credit under subsection (l) of Section 201;

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

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

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 allowed in any taxable year to make a subtraction
20 modification under subparagraph (T), then an amount
21 equal to that subtraction modification.

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

25 (E-12) An amount equal to the amount otherwise
26 allowed as a deduction in computing base income for

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

26 This paragraph shall not apply to the following:

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

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

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

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

22 (iii) the taxpayer can establish, based on
23 clear and convincing evidence, that the interest
24 paid, accrued, or incurred relates to a contract or
25 agreement entered into at arm's-length rates and
26 terms and the principal purpose for the payment is

1 not federal or Illinois tax avoidance; or
2 (iv) an item of interest paid, accrued, or
3 incurred, directly or indirectly, to a person if
4 the taxpayer establishes by clear and convincing
5 evidence that the adjustments are unreasonable; or
6 if the taxpayer and the Director agree in writing
7 to the application or use of an alternative method
8 of apportionment under Section 304(f).

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

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

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

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

11 This paragraph shall not apply to the following:

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

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

24 (a) the person during the same taxable
25 year paid, accrued, or incurred, the
26 intangible expense or cost to a person that is

1 not a related member, and

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

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

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

26 (E-14) For taxable years ending on or after

1 December 31, 2008, an amount equal to the amount of
2 insurance premium expenses and costs otherwise allowed
3 as a deduction in computing base income, and that were
4 paid, accrued, or incurred, directly or indirectly, to
5 a person who would be a member of the same unitary
6 business group but for the fact that the person is
7 prohibited under Section 1501(a)(27) from being
8 included in the unitary business group because he or
9 she is ordinarily required to apportion business
10 income under different subsections of Section 304. The
11 addition modification required by this subparagraph
12 shall be reduced to the extent that dividends were
13 included in base income of the unitary group for the
14 same taxable year and received by the taxpayer or by a
15 member of the taxpayer's unitary business group
16 (including amounts included in gross income under
17 Sections 951 through 964 of the Internal Revenue Code
18 and amounts included in gross income under Section 78
19 of the Internal Revenue Code) with respect to the stock
20 of the same person to whom the premiums and costs were
21 directly or indirectly paid, incurred, or accrued. The
22 preceding sentence does not apply to the extent that
23 the same dividends caused a reduction to the addition
24 modification required under Section 203(b)(2)(E-12) or
25 Section 203(b)(2)(E-13) of this Act;

26 (E-15) For taxable years beginning after December

1 31, 2008, any deduction for dividends paid by a captive
2 real estate investment trust that is allowed to a real
3 estate investment trust under Section 857(b)(2)(B) of
4 the Internal Revenue Code for dividends paid;

5 (E-16) An amount equal to the credit allowable to
6 the taxpayer under Section 218(a) of this Act,
7 determined without regard to Section 218(c) of this
8 Act;

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

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

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

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

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

25 (I) With the exception of any amounts subtracted
26 under subparagraph (J), an amount equal to the sum of

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

25 (J) An amount equal to all amounts included in such
26 total which are exempt from taxation by this State

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

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

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

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

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

21 (M-1) For any taxpayer that is a financial
22 organization within the meaning of Section 304(c) of
23 this Act, an amount included in such total as interest
24 income from a loan or loans made by such taxpayer to a
25 borrower, to the extent that such a loan is secured by
26 property which is eligible for the High Impact Business

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

20 (N) Two times any contribution made during the
21 taxable year to a designated zone organization to the
22 extent that the contribution (i) qualifies as a
23 charitable contribution under subsection (c) of
24 Section 170 of the Internal Revenue Code and (ii) must,
25 by its terms, be used for a project approved by the
26 Department of Commerce and Economic Opportunity under

1 Section 11 of the Illinois Enterprise Zone Act or under
2 Section 10-10 of the River Edge Redevelopment Zone Act.
3 This subparagraph (N) is exempt from the provisions of
4 Section 250;

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

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

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

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

21 (R) On and after July 20, 1999, in the case of an
22 attorney-in-fact with respect to whom an interinsurer
23 or a reciprocal insurer has made the election under
24 Section 835 of the Internal Revenue Code, 26 U.S.C.
25 835, an amount equal to the excess, if any, of the
26 amounts paid or incurred by that interinsurer or

1 reciprocal insurer in the taxable year to the
2 attorney-in-fact over the deduction allowed to that
3 interinsurer or reciprocal insurer with respect to the
4 attorney-in-fact under Section 835(b) of the Internal
5 Revenue Code for the taxable year; the provisions of
6 this subparagraph are exempt from the provisions of
7 Section 250;

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

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

24 (1) "y" equals the amount of the depreciation
25 deduction taken for the taxable year on the
26 taxpayer's federal income tax return on property

1 for which the bonus depreciation deduction was
2 taken in any year under subsection (k) of Section
3 168 of the Internal Revenue Code, but not including
4 the bonus depreciation deduction;

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

9 (3) for taxable years ending after December
10 31, 2005:

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

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

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

1 Section 250;

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

7 If the taxpayer continues to own property through
8 the last day of the last tax year for which the
9 taxpayer may claim a depreciation deduction for
10 federal income tax purposes and for which the taxpayer
11 was 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 The taxpayer is allowed to take the deduction under
15 this subparagraph only once with respect to any one
16 piece of property.

17 This subparagraph (U) is exempt from the
18 provisions of Section 250;

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

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

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

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

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

22 (Z) The difference between the nondeductible
23 controlled foreign corporation dividends under Section
24 965(e)(3) of the Internal Revenue Code over the taxable
25 income of the taxpayer, computed without regard to
26 Section 965(e)(2)(A) of the Internal Revenue Code, and

1 without regard to any net operating loss deduction.
2 This subparagraph (Z) is exempt from the provisions of
3 Section 250.

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

12 (c) Trusts and estates.

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

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

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

24 (B) In the case of (i) an estate, \$600; (ii) a
25 trust which, under its governing instrument, is

1 required to distribute all of its income currently,
2 \$300; and (iii) any other trust, \$100, but in each such
3 case, only to the extent such amount was deducted in
4 the computation of taxable income;

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

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

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

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

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

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

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

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

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

26 (G-5) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation costs
2 that the trust or estate deducted in computing adjusted
3 gross income and for which the trust or estate claims a
4 credit under subsection (l) of Section 201;

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

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

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

24 The taxpayer is required to make the addition
25 modification under this subparagraph only once with
26 respect to any one piece of property;

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

1 incurred.

2 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) the taxpayer can establish, based on
25 clear and convincing evidence, that the interest
26 paid, accrued, or incurred relates to a contract or

1 agreement entered into at arm's-length rates and
2 terms and the principal purpose for the payment is
3 not federal or Illinois tax avoidance; or

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

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

20 (G-13) An amount equal to the amount of intangible
21 expenses and costs otherwise allowed as a deduction in
22 computing base income, and that were paid, accrued, or
23 incurred, directly or indirectly, (i) for taxable
24 years ending on or after December 31, 2004, to a
25 foreign person who would be a member of the same
26 unitary business group but for the fact that the

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

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

13 This paragraph shall not apply to the following:

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

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

26 (a) the person during the same taxable

1 year paid, accrued, or incurred, the
2 intangible expense or cost to a person that is
3 not a related member, and

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

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

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

1 under Section 404 of this Act;

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

1 Section 203(c)(2)(G-13) of this Act;

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

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

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

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

23 (I) The valuation limitation amount;

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

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

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

1 provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (d) Partnerships.

24 (1) In general. In the case of a partnership, 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 or dividends during the
7 taxable year to the extent excluded from gross income
8 in the computation of taxable income;

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

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

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

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

24 (D-6) If the taxpayer sells, transfers, abandons,
25 or otherwise disposes of property for which the
26 taxpayer was required in any taxable year to make an

1 addition modification under subparagraph (D-5), then
2 an amount equal to the aggregate amount of the
3 deductions taken in all taxable years under
4 subparagraph (O) with respect to that property.

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

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

15 (D-7) An amount equal to the amount otherwise
16 allowed as a deduction in computing base income for
17 interest paid, accrued, or incurred, directly or
18 indirectly, (i) for taxable years ending on or after
19 December 31, 2004, to a foreign person who would be a
20 member of the same unitary business group but for the
21 fact the foreign person's business activity outside
22 the United States is 80% or more of the foreign
23 person's total business activity and (ii) for taxable
24 years ending on or after December 31, 2008, to a person
25 who would be a member of the same unitary business
26 group but for the fact that the person is prohibited

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

16 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment

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

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

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

1 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

24 and by deducting from the total so obtained the following
25 amounts:

26 (E) The valuation limitation amount;

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

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

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

22 (I) An amount equal to all amounts of income
23 distributable to an entity subject to the Personal
24 Property Tax Replacement Income Tax imposed by
25 subsections (c) and (d) of Section 201 of this Act
26 including amounts distributable to organizations

1 exempt from federal income tax by reason of Section
2 501(a) of the Internal Revenue Code; this subparagraph
3 (I) is exempt from the provisions of Section 250;

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

20 (K) 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 substantially
25 all of its operations from a River Edge Redevelopment
26 Zone or zones. This subparagraph (K) is exempt from the

1 provisions of Section 250;

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

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

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

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

25 (1) "y" equals the amount of the depreciation
26 deduction taken for the taxable year on the

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

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

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

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

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

21 The aggregate amount deducted under this
22 subparagraph in all taxable years for any one piece of
23 property may not exceed the amount of the bonus
24 depreciation deduction taken on that property on the
25 taxpayer's federal income tax return under subsection
26 (k) of Section 168 of the Internal Revenue Code. This

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

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

8 If the taxpayer continues to own property through
9 the last day of the last tax year for which the
10 taxpayer may claim a depreciation deduction for
11 federal income tax purposes and 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 The taxpayer is allowed to take the deduction under
16 this subparagraph only once with respect to any one
17 piece of property.

18 This subparagraph (P) is exempt from the
19 provisions of Section 250;

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

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

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

1 taxable year under Section 203(d)(2)(D-7) for interest
2 paid, accrued, or incurred, directly or indirectly, to
3 the same person. This subparagraph (R) is exempt from
4 Section 250;

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

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

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

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

15 (1) In general. Subject to the provisions of paragraph
16 (2) and subsection (b) (3), for purposes of this Section
17 and Section 803(e), a taxpayer's gross income, adjusted
18 gross income, or taxable income for the taxable year shall
19 mean the amount of gross income, adjusted gross income or
20 taxable income properly reportable for federal income tax
21 purposes for the taxable year under the provisions of the
22 Internal Revenue Code. Taxable income may be less than
23 zero. However, for taxable years ending on or after
24 December 31, 1986, net operating loss carryforwards from
25 taxable years ending prior to December 31, 1986, may not

1 exceed the sum of federal taxable income for the taxable
2 year before net operating loss deduction, plus the excess
3 of addition modifications over subtraction modifications
4 for the taxable year. For taxable years ending prior to
5 December 31, 1986, taxable income may never be an amount in
6 excess of the net operating loss for the taxable year as
7 defined in subsections (c) and (d) of Section 172 of the
8 Internal Revenue Code, provided that when taxable income of
9 a corporation (other than a Subchapter S corporation),
10 trust, or estate is less than zero and addition
11 modifications, other than those provided by subparagraph
12 (E) of paragraph (2) of subsection (b) for corporations or
13 subparagraph (E) of paragraph (2) of subsection (c) for
14 trusts and estates, exceed subtraction modifications, an
15 addition modification must be made under those
16 subparagraphs for any other taxable year to which the
17 taxable income less than zero (net operating loss) is
18 applied under Section 172 of the Internal Revenue Code or
19 under subparagraph (E) of paragraph (2) of this subsection
20 (e) applied in conjunction with Section 172 of the Internal
21 Revenue Code.

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

25 (A) Certain life insurance companies. In the case
26 of a life insurance company subject to the tax imposed

1 by Section 801 of the Internal Revenue Code, life
2 insurance company taxable income, plus the amount of
3 distribution from pre-1984 policyholder surplus
4 accounts as calculated under Section 815a of the
5 Internal Revenue Code;

6 (B) Certain other insurance companies. In the case
7 of mutual insurance companies subject to the tax
8 imposed by Section 831 of the Internal Revenue Code,
9 insurance company taxable income;

10 (C) Regulated investment companies. In the case of
11 a regulated investment company subject to the tax
12 imposed by Section 852 of the Internal Revenue Code,
13 investment company taxable income;

14 (D) Real estate investment trusts. In the case of a
15 real estate investment trust subject to the tax imposed
16 by Section 857 of the Internal Revenue Code, real
17 estate investment trust taxable income;

18 (E) Consolidated corporations. In the case of a
19 corporation which is a member of an affiliated group of
20 corporations filing a consolidated income tax return
21 for the taxable year for federal income tax purposes,
22 taxable income determined as if such corporation had
23 filed a separate return for federal income tax purposes
24 for the taxable year and each preceding taxable year
25 for which it was a member of an affiliated group. For
26 purposes of this subparagraph, the taxpayer's separate

1 taxable income shall be determined as if the election
2 provided by Section 243(b) (2) of the Internal Revenue
3 Code had been in effect for all such years;

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

1 the election may only be revoked upon approval of the
2 Director. The Department shall adopt rules setting
3 forth requirements for documenting the elections and
4 any resulting Illinois net loss and the standards to be
5 used by the Director in evaluating requests to revoke
6 elections. Public Act 96-932 is declaratory of
7 existing law;

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

24 (H) Partnerships. In the case of a partnership,
25 taxable income determined in accordance with Section
26 703 of the Internal Revenue Code, except that taxable

1 income shall take into account those items which are
2 required by Section 703(a)(1) to be separately stated
3 but which would be taken into account by an individual
4 in calculating his taxable income.

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

22 (f) Valuation limitation amount.

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

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

6 (B) The lesser of (i) the sum of the pre-August 1,
7 1969 appreciation amounts (to the extent consisting of
8 capital gain) for all property in respect of which such
9 gain was reported for federal income tax purposes for
10 the taxable year, or (ii) the net capital gain for the
11 taxable year, reduced in either case by any amount of
12 such gain included in the amount determined under
13 subsection (a) (2) (F) or (c) (2) (H).

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

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

26 (B) If the fair market value of property referred

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

11 (C) The Department shall prescribe such
12 regulations as may be necessary to carry out the
13 purposes of this paragraph.

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

17 (h) Legislative intention. Except as expressly provided by
18 this Section there shall be no modifications or limitations on
19 the amounts of income, gain, loss or deduction taken into
20 account in determining gross income, adjusted gross income or
21 taxable income for federal income tax purposes for the taxable
22 year, or in the amount of such items entering into the
23 computation of base income and net income under this Act for
24 such taxable year, whether in respect of property values as of

1 August 1, 1969 or otherwise.

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

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