

# HB3098



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

HB3098

by Rep. Katie Stuart

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction for individuals, trusts, and estates for certain qualified student loan payments made during the taxable year. Provides that the deduction is excluded from the Act's automatic sunset provisions. Effective immediately.

LRB101 05118 HLH 50130 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

26 The taxpayer is required to make the addition

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

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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



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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

18 (D-20.5) For taxable years beginning on or after  
19 January 1, 2018, in the case of a distribution from a  
20 qualified ABLE program under Section 529A of the  
21 Internal Revenue Code, other than a distribution from a  
22 qualified ABLE program created under Section 16.6 of  
23 the State Treasurer Act, an amount equal to the amount  
24 excluded from gross income under Section 529A(c)(1)(B)  
25 of the Internal Revenue Code;

26 (D-21) For taxable years beginning on or after

1 January 1, 2007, in the case of transfer of moneys from  
2 a qualified tuition program under Section 529 of the  
3 Internal Revenue Code that is administered by the State  
4 to an out-of-state program, an amount equal to the  
5 amount of moneys previously deducted from base income  
6 under subsection (a) (2) (Y) of this Section;

7 (D-21.5) For taxable years beginning on or after  
8 January 1, 2018, in the case of the transfer of moneys  
9 from a qualified tuition program under Section 529 or a  
10 qualified ABLE program under Section 529A of the  
11 Internal Revenue Code that is administered by this  
12 State to an ABLE account established under an  
13 out-of-state ABLE account program, an amount equal to  
14 the contribution component of the transferred amount  
15 that was previously deducted from base income under  
16 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this  
17 Section;

18 (D-22) For taxable years beginning on or after  
19 January 1, 2009, and prior to January 1, 2018, in the  
20 case of a nonqualified withdrawal or refund of moneys  
21 from a qualified tuition program under Section 529 of  
22 the Internal Revenue Code administered by the State  
23 that is not used for qualified expenses at an eligible  
24 education institution, an amount equal to the  
25 contribution component of the nonqualified withdrawal  
26 or refund that was previously deducted from base income

1 under subsection (a)(2)(y) of this Section, provided  
2 that the withdrawal or refund did not result from the  
3 beneficiary's death or disability. For taxable years  
4 beginning on or after January 1, 2018: (1) in the case  
5 of a nonqualified withdrawal or refund, as defined  
6 under Section 16.5 of the State Treasurer Act, of  
7 moneys from a qualified tuition program under Section  
8 529 of the Internal Revenue Code administered by the  
9 State, an amount equal to the contribution component of  
10 the nonqualified withdrawal or refund that was  
11 previously deducted from base income under subsection  
12 (a)(2)(Y) of this Section, and (2) in the case of a  
13 nonqualified withdrawal or refund from a qualified  
14 ABLE program under Section 529A of the Internal Revenue  
15 Code administered by the State that is not used for  
16 qualified disability expenses, an amount equal to the  
17 contribution component of the nonqualified withdrawal  
18 or refund that was previously deducted from base income  
19 under subsection (a)(2)(HH) of this Section;

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

24 (D-24) For taxable years ending on or after  
25 December 31, 2017, an amount equal to the deduction  
26 allowed under Section 199 of the Internal Revenue Code

1 for the taxable year;

2 and by deducting from the total so obtained the sum of the  
3 following amounts:

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



1 as a governmental employee was a prisoner of war or  
2 missing in action, and in respect of any compensation  
3 paid to a resident in 2001 or thereafter by reason of  
4 being a member of the Illinois National Guard or,  
5 beginning with taxable years ending on or after  
6 December 31, 2007, the National Guard of any other  
7 state. The provisions of this subparagraph (E) are  
8 exempt from the provisions of Section 250;

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

20 (G) The valuation limitation amount;

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

24 (I) An amount equal to all amounts included in such  
25 total pursuant to the provisions of Section 111 of the  
26 Internal Revenue Code as a recovery of items previously

1           deducted from adjusted gross income in the computation  
2           of taxable income;

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

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

20          (L) For taxable years ending after December 31,  
21          1983, an amount equal to all social security benefits  
22          and railroad retirement benefits included in such  
23          total pursuant to Sections 72(r) and 86 of the Internal  
24          Revenue Code;

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

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

16 (N) An amount equal to all amounts included in such  
17 total which are exempt from taxation by this State  
18 either by reason of its statutes or Constitution or by  
19 reason of the Constitution, treaties or statutes of the  
20 United States; provided that, in the case of any  
21 statute of this State that exempts income derived from  
22 bonds or other obligations from the tax imposed under  
23 this Act, the amount exempted shall be the interest net  
24 of bond premium amortization;

25 (O) An amount equal to any contribution made to a  
26 job training project established pursuant to the Tax

1 Increment Allocation Redevelopment Act;

2 (P) An amount equal to the amount of the deduction  
3 used to compute the federal income tax credit for  
4 restoration of substantial amounts held under claim of  
5 right for the taxable year pursuant to Section 1341 of  
6 the Internal Revenue Code or of any itemized deduction  
7 taken from adjusted gross income in the computation of  
8 taxable income for restoration of substantial amounts  
9 held under claim of right for the taxable year;

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

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

17 (S) An amount, to the extent included in adjusted  
18 gross income, equal to the amount of a contribution  
19 made in the taxable year on behalf of the taxpayer to a  
20 medical care savings account established under the  
21 Medical Care Savings Account Act or the Medical Care  
22 Savings Account Act of 2000 to the extent the  
23 contribution is accepted by the account administrator  
24 as provided in that Act;

25 (T) An amount, to the extent included in adjusted  
26 gross income, equal to the amount of interest earned in

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

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

12 (V) Beginning with tax years ending on or after  
13 December 31, 1995 and ending with tax years ending on  
14 or before December 31, 2004, an amount equal to the  
15 amount paid by a taxpayer who is a self-employed  
16 taxpayer, a partner of a partnership, or a shareholder  
17 in a Subchapter S corporation for health insurance or  
18 long-term care insurance for that taxpayer or that  
19 taxpayer's spouse or dependents, to the extent that the  
20 amount paid for that health insurance or long-term care  
21 insurance may be deducted under Section 213 of the  
22 Internal Revenue Code, has not been deducted on the  
23 federal income tax return of the taxpayer, and does not  
24 exceed the taxable income attributable to that  
25 taxpayer's income, self-employment income, or  
26 Subchapter S corporation income; except that no

1 deduction shall be allowed under this item (V) if the  
2 taxpayer is eligible to participate in any health  
3 insurance or long-term care insurance plan of an  
4 employer of the taxpayer or the taxpayer's spouse. The  
5 amount of the health insurance and long-term care  
6 insurance subtracted under this item (V) shall be  
7 determined by multiplying total health insurance and  
8 long-term care insurance premiums paid by the taxpayer  
9 times a number that represents the fractional  
10 percentage of eligible medical expenses under Section  
11 213 of the Internal Revenue Code of 1986 not actually  
12 deducted on the taxpayer's federal income tax return;

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

18 (X) For taxable year 1999 and thereafter, an amount  
19 equal to the amount of any (i) distributions, to the  
20 extent includible in gross income for federal income  
21 tax purposes, made to the taxpayer because of his or  
22 her status as a victim of persecution for racial or  
23 religious reasons by Nazi Germany or any other Axis  
24 regime or as an heir of the victim and (ii) items of  
25 income, to the extent includible in gross income for  
26 federal income tax purposes, attributable to, derived

1 from or in any way related to assets stolen from,  
2 hidden from, or otherwise lost to a victim of  
3 persecution for racial or religious reasons by Nazi  
4 Germany or any other Axis regime immediately prior to,  
5 during, and immediately after World War II, including,  
6 but not limited to, interest on the proceeds receivable  
7 as insurance under policies issued to a victim of  
8 persecution for racial or religious reasons by Nazi  
9 Germany or any other Axis regime by European insurance  
10 companies immediately prior to and during World War II;  
11 provided, however, this subtraction from federal  
12 adjusted gross income does not apply to assets acquired  
13 with such assets or with the proceeds from the sale of  
14 such assets; provided, further, this paragraph shall  
15 only apply to a taxpayer who was the first recipient of  
16 such assets after their recovery and who is a victim of  
17 persecution for racial or religious reasons by Nazi  
18 Germany or any other Axis regime or as an heir of the  
19 victim. The amount of and the eligibility for any  
20 public assistance, benefit, or similar entitlement is  
21 not affected by the inclusion of items (i) and (ii) of  
22 this paragraph in gross income for federal income tax  
23 purposes. This paragraph is exempt from the provisions  
24 of Section 250;

25 (Y) For taxable years beginning on or after January  
26 1, 2002 and ending on or before December 31, 2004,

1 moneys contributed in the taxable year to a College  
2 Savings Pool account under Section 16.5 of the State  
3 Treasurer Act, except that amounts excluded from gross  
4 income under Section 529(c)(3)(C)(i) of the Internal  
5 Revenue Code shall not be considered moneys  
6 contributed under this subparagraph (Y). For taxable  
7 years beginning on or after January 1, 2005, a maximum  
8 of \$10,000 contributed in the taxable year to (i) a  
9 College Savings Pool account under Section 16.5 of the  
10 State Treasurer Act or (ii) the Illinois Prepaid  
11 Tuition Trust Fund, except that amounts excluded from  
12 gross income under Section 529(c)(3)(C)(i) of the  
13 Internal Revenue Code shall not be considered moneys  
14 contributed under this subparagraph (Y). For purposes  
15 of this subparagraph, contributions made by an  
16 employer on behalf of an employee, or matching  
17 contributions made by an employee, shall be treated as  
18 made by the employee. This subparagraph (Y) is exempt  
19 from the provisions of Section 250;

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

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



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

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

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

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

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

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

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

4 (AA) If the taxpayer sells, transfers, abandons,  
5 or otherwise disposes of property for which the  
6 taxpayer was required in any taxable year to make an  
7 addition modification under subparagraph (D-15), then  
8 an amount equal to that addition modification.

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

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

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

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

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

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

15 (DD) An amount equal to the interest income taken  
16 into account for the taxable year (net of the  
17 deductions allocable thereto) with respect to  
18 transactions with (i) a foreign person who would be a  
19 member of the taxpayer's unitary business group but for  
20 the fact that the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity and (ii) for taxable  
23 years ending on or after December 31, 2008, to a person  
24 who would be a member of the same unitary business  
25 group but for the fact that the person is prohibited  
26 under Section 1501(a)(27) from being included in the

1 unitary business group because he or she is ordinarily  
2 required to apportion business income under different  
3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the same  
5 taxable year under Section 203(a)(2)(D-17) for  
6 interest paid, accrued, or incurred, directly or  
7 indirectly, to the same person. This subparagraph (DD)  
8 is exempt from the provisions of Section 250;

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

1 incurred, directly or indirectly, to the same foreign  
2 person. This subparagraph (EE) is exempt from the  
3 provisions of Section 250;

4 (FF) An amount equal to any amount awarded to the  
5 taxpayer during the taxable year by the Court of Claims  
6 under subsection (c) of Section 8 of the Court of  
7 Claims Act for time unjustly served in a State prison.  
8 This subparagraph (FF) is exempt from the provisions of  
9 Section 250;

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

25 (HH) For taxable years beginning on or after  
26 January 1, 2018 and prior to January 1, 2023, a maximum

1 of \$10,000 contributed in the taxable year to a  
2 qualified ABLE account under Section 16.6 of the State  
3 Treasurer Act, except that amounts excluded from gross  
4 income under Section 529(c)(3)(C)(i) or Section  
5 529A(c)(1)(C) of the Internal Revenue Code shall not be  
6 considered moneys contributed under this subparagraph  
7 (HH). For purposes of this subparagraph (HH),  
8 contributions made by an employer on behalf of an  
9 employee, or matching contributions made by an  
10 employee, shall be treated as made by the employee; and

11 -

12 (II) For taxable years ending on or after December  
13 31, 2019, an amount equal to any payment made during  
14 the taxable year of any indebtedness of the taxpayer  
15 under a qualified education loan, including the  
16 payment of any interest relating to such a loan, but  
17 only to the extent that the taxpayer was not entitled  
18 to a deduction under Section 221 of the Internal  
19 Revenue Code for that payment; this subparagraph (II)  
20 applies to payments made by the taxpayer and to  
21 payments made by the taxpayer's employer on behalf of  
22 the taxpayer; for the purposes of this subparagraph  
23 (II), "qualified education loan" has the meaning  
24 ascribed to that term in Section 221 of the Internal  
25 Revenue Code; this subparagraph (II) is exempt from the  
26 provisions of Section 250.

1 (b) Corporations.

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

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

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

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

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

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

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

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

23           (ii) the addition modification relating to the  
24 net operating loss carried back or forward to the  
25 taxable year from any taxable year ending prior to  
26 December 31, 1986 shall not exceed the amount of



1           such carryback or carryforward;

2           For taxable years in which there is a net operating  
3           loss carryback or carryforward from more than one other  
4           taxable year ending prior to December 31, 1986, the  
5           addition modification provided in this subparagraph  
6           (E) shall be the sum of the amounts computed  
7           independently under the preceding provisions of this  
8           subparagraph (E) for each such taxable year;

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

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

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

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

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

10 (E-12) An amount equal to the amount otherwise  
11 allowed as a deduction in computing base income for  
12 interest paid, accrued, or incurred, directly or  
13 indirectly, (i) for taxable years ending on or after  
14 December 31, 2004, to a foreign person who would be a  
15 member of the same unitary business group but for the  
16 fact the foreign person's business activity outside  
17 the United States is 80% or more of the foreign  
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. The addition modification  
26 required by this subparagraph shall be reduced to the

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

11 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

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

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

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

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

22 This paragraph shall not apply to the following:

23 (i) any item of intangible expenses or costs  
24 paid, accrued, or incurred, directly or  
25 indirectly, from a transaction with a person who is  
26 subject in a foreign country or state, other than a

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

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

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

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

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

1 method of apportionment under Section 304(f);

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

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



1 (including amounts included in gross income under  
2 Sections 951 through 964 of the Internal Revenue Code  
3 and amounts included in gross income under Section 78  
4 of the Internal Revenue Code) with respect to the stock  
5 of the same person to whom the premiums and costs were  
6 directly or indirectly paid, incurred, or accrued. The  
7 preceding sentence does not apply to the extent that  
8 the same dividends caused a reduction to the addition  
9 modification required under Section 203(b) (2) (E-12) or  
10 Section 203(b) (2) (E-13) of this Act;

11 (E-15) For taxable years beginning after December  
12 31, 2008, any deduction for dividends paid by a captive  
13 real estate investment trust that is allowed to a real  
14 estate investment trust under Section 857(b) (2) (B) of  
15 the Internal Revenue Code for dividends paid;

16 (E-16) 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 (E-17) 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 sum of the  
25 following amounts:

26 (F) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the taxpayer  
2 and included in such total for the taxable year;

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

5 (H) In the case of a regulated investment company,  
6 an amount equal to the amount of exempt interest  
7 dividends as defined in subsection (b)(5) of Section  
8 852 of the Internal Revenue Code, paid to shareholders  
9 for the taxable year;

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

1 tax-exempt interest of a life insurance company under  
2 Section 807(a)(2)(B) of the Internal Revenue Code (in  
3 the case of a life insurance company with gross income  
4 from a decrease in reserves for the tax year) or  
5 Section 807(b)(1)(B) of the Internal Revenue Code (in  
6 the case of a life insurance company allowed a  
7 deduction for an increase in reserves for the tax  
8 year); the provisions of this subparagraph are exempt  
9 from the provisions of Section 250;

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

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

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

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

1 subsection shall be that portion of the total interest  
2 paid by the borrower with respect to such loan  
3 attributable to the eligible property as calculated  
4 under the previous sentence. This subparagraph (M) is  
5 exempt from the provisions of Section 250;

6 (M-1) For any taxpayer that is a financial  
7 organization within the meaning of Section 304(c) of  
8 this Act, an amount included in such total as interest  
9 income from a loan or loans made by such taxpayer to a  
10 borrower, to the extent that such a loan is secured by  
11 property which is eligible for the High Impact Business  
12 Investment Credit. To determine the portion of a loan  
13 or loans that is secured by property eligible for a  
14 Section 201(h) investment credit to the borrower, the  
15 entire principal amount of the loan or loans between  
16 the taxpayer and the borrower should be divided into  
17 the basis of the Section 201(h) investment credit  
18 property which secures the loan or loans, using for  
19 this purpose the original basis of such property on the  
20 date that it was placed in service in a federally  
21 designated Foreign Trade Zone or Sub-Zone located in  
22 Illinois. No taxpayer that is eligible for the  
23 deduction provided in subparagraph (M) of paragraph  
24 (2) of this subsection shall be eligible for the  
25 deduction provided under this subparagraph (M-1). The  
26 subtraction modification available to taxpayers in any

1 year under this subsection shall be that portion of the  
2 total interest paid by the borrower with respect to  
3 such loan attributable to the eligible property as  
4 calculated under the previous sentence;

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

16 (O) An amount equal to: (i) 85% for taxable years  
17 ending on or before December 31, 1992, or, a percentage  
18 equal to the percentage allowable under Section  
19 243(a)(1) of the Internal Revenue Code of 1986 for  
20 taxable years ending after December 31, 1992, of the  
21 amount by which dividends included in taxable income  
22 and received from a corporation that is not created or  
23 organized under the laws of the United States or any  
24 state or political subdivision thereof, including, for  
25 taxable years ending on or after December 31, 1988,  
26 dividends received or deemed received or paid or deemed

1           paid under Sections 951 through 965 of the Internal  
2           Revenue Code, exceed the amount of the modification  
3           provided under subparagraph (G) of paragraph (2) of  
4           this subsection (b) which is related to such dividends,  
5           and including, for taxable years ending on or after  
6           December 31, 2008, dividends received from a captive  
7           real estate investment trust; plus (ii) 100% of the  
8           amount by which dividends, included in taxable income  
9           and received, including, for taxable years ending on or  
10          after December 31, 1988, dividends received or deemed  
11          received or paid or deemed paid under Sections 951  
12          through 964 of the Internal Revenue Code and including,  
13          for taxable years ending on or after December 31, 2008,  
14          dividends received from a captive real estate  
15          investment trust, from any such corporation specified  
16          in clause (i) that would but for the provisions of  
17          Section 1504(b)(3) of the Internal Revenue Code be  
18          treated as a member of the affiliated group which  
19          includes the dividend recipient, exceed the amount of  
20          the modification provided under subparagraph (G) of  
21          paragraph (2) of this subsection (b) which is related  
22          to such dividends. This subparagraph (O) is exempt from  
23          the provisions of Section 250 of this Act;

24                 (P) An amount equal to any contribution made to a  
25                 job training project established pursuant to the Tax  
26                 Increment Allocation Redevelopment Act;

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

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

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



1 Code. This subparagraph (S) is exempt from the  
2 provisions of Section 250;

3 (T) For taxable years 2001 and thereafter, for the  
4 taxable year in which the bonus depreciation deduction  
5 is taken on the taxpayer's federal income tax return  
6 under subsection (k) of Section 168 of the Internal  
7 Revenue Code and for each applicable taxable year  
8 thereafter, an amount equal to "x", where:

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

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

20 (3) for taxable years ending after December  
21 31, 2005:

22 (i) for property on which a bonus  
23 depreciation deduction of 30% of the adjusted  
24 basis was taken, "x" equals "y" multiplied by  
25 30 and then divided by 70 (or "y" multiplied by  
26 0.429); and

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

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

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

18                  If the taxpayer continues to own property through  
19                  the last day of the last tax year for which the  
20                  taxpayer may claim a depreciation deduction for  
21                  federal income tax purposes and for which the taxpayer  
22                  was required in any taxable year to make an addition  
23                  modification under subparagraph (E-10), then an amount  
24                  equal to that addition modification.

25                  The taxpayer is allowed to take the deduction under  
26                  this subparagraph only once with respect to any one

1 piece of property.

2 This subparagraph (U) is exempt from the  
3 provisions of Section 250;

4 (V) The amount of: (i) any interest income (net of  
5 the deductions allocable thereto) taken into account  
6 for the taxable year with respect to a transaction with  
7 a taxpayer that is required to make an addition  
8 modification with respect to such transaction under  
9 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
10 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
11 the amount of such addition modification, (ii) any  
12 income from intangible property (net of the deductions  
13 allocable thereto) taken into account for the taxable  
14 year with respect to a transaction with a taxpayer that  
15 is required to make an addition modification with  
16 respect to such transaction under Section  
17 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
18 203(d)(2)(D-8), but not to exceed the amount of such  
19 addition modification, and (iii) any insurance premium  
20 income (net of deductions allocable thereto) taken  
21 into account for the taxable year with respect to a  
22 transaction with a taxpayer that is required to make an  
23 addition modification with respect to such transaction  
24 under Section 203(a)(2)(D-19), Section  
25 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
26 203(d)(2)(D-9), but not to exceed the amount of that

1 addition modification. This subparagraph (V) is exempt  
2 from the provisions of Section 250;

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

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

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

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

1 expense or loss had been uninsured. If a taxpayer makes  
2 the election provided for by this subparagraph (Y), the  
3 insurer to which the premiums were paid must add back  
4 to income the amount subtracted by the taxpayer  
5 pursuant to this subparagraph (Y). This subparagraph  
6 (Y) is exempt from the provisions of Section 250; and

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

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

23 (c) Trusts and estates.

24 (1) In general. In the case of a trust or estate, 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. Subject to the provisions of  
3 paragraph (3), the taxable income referred to in paragraph  
4 (1) shall be modified by adding thereto the sum of the  
5 following amounts:

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

10 (B) In the case of (i) an estate, \$600; (ii) a  
11 trust which, under its governing instrument, is  
12 required to distribute all of its income currently,  
13 \$300; and (iii) any other trust, \$100, but in each such  
14 case, only to the extent such amount was deducted in  
15 the computation of taxable income;

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

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

23 (E) For taxable years in which a net operating loss  
24 carryback or carryforward from a taxable year ending  
25 prior to December 31, 1986 is an element of taxable  
26 income under paragraph (1) of subsection (e) or

1           subparagraph (E) of paragraph (2) of subsection (e),  
2           the amount by which addition modifications other than  
3           those provided by this subparagraph (E) exceeded  
4           subtraction modifications in such taxable year, with  
5           the following limitations applied in the order that  
6           they are listed:

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

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

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



1           (F) For taxable years ending on or after January 1,  
2           1989, an amount equal to the tax deducted pursuant to  
3           Section 164 of the Internal Revenue Code if the trust  
4           or estate is claiming the same tax for purposes of the  
5           Illinois foreign tax credit under Section 601 of this  
6           Act;

7           (G) An amount equal to the amount of the capital  
8           gain deduction allowable under the Internal Revenue  
9           Code, to the extent deducted from gross income in the  
10          computation of taxable income;

11          (G-5) For taxable years ending after December 31,  
12          1997, an amount equal to any eligible remediation costs  
13          that the trust or estate deducted in computing adjusted  
14          gross income and for which the trust or estate claims a  
15          credit under subsection (l) of Section 201;

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

21          (G-11) 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 (G-10), then  
25          an amount equal to the aggregate amount of the  
26          deductions taken in all taxable years under

1           subparagraph (R) with respect to that property.

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

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

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

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

13 This paragraph shall not apply to the following:

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

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

25 (a) the person, during the same taxable  
26 year, paid, accrued, or incurred, the interest

1 to a person that is not a related member, and

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

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

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

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

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

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

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

24 This paragraph shall not apply to the following:

25 (i) any item of intangible expenses or costs  
26 paid, accrued, or incurred, directly or

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

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

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

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

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

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

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

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



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

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

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

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

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

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

8 (I) The valuation limitation amount;

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

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

23 (L) With the exception of any amounts subtracted  
24 under subparagraph (K), an amount equal to the sum of  
25 all amounts disallowed as deductions by (i) Sections  
26 171(a)(2) and 265(a)(2) of the Internal Revenue Code,

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

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

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

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

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

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

13 (Q) For taxable year 1999 and thereafter, an amount  
14 equal to the amount of any (i) distributions, to the  
15 extent includible in gross income for federal income  
16 tax purposes, made to the taxpayer because of his or  
17 her status as a victim of persecution for racial or  
18 religious reasons by Nazi Germany or any other Axis  
19 regime or as an heir of the victim and (ii) items of  
20 income, to the extent includible in gross income for  
21 federal income tax purposes, attributable to, derived  
22 from or in any way related to assets stolen from,  
23 hidden from, or otherwise lost to a victim of  
24 persecution for racial or religious reasons by Nazi  
25 Germany or any other Axis regime immediately prior to,  
26 during, and immediately after World War II, including,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (U) An amount equal to the interest income taken  
13 into account for the taxable year (net of the  
14 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 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(c)(2)(G-12) for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, to the same person. This subparagraph (U)  
5 is exempt from the provisions of Section 250;

6 (V) An amount equal to the income from intangible  
7 property taken into account for the taxable year (net  
8 of the 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(c)(2)(G-13) for  
23 intangible expenses and costs paid, accrued, or  
24 incurred, directly or indirectly, to the same foreign  
25 person. This subparagraph (V) is exempt from the  
26 provisions of Section 250;

1           (W) in the case of an estate, an amount equal to  
2 all amounts included in such total pursuant to the  
3 provisions of Section 111 of the Internal Revenue Code  
4 as a recovery of items previously deducted by the  
5 decedent from adjusted gross income in the computation  
6 of taxable income. This subparagraph (W) is exempt from  
7 Section 250;

8           (X) an amount equal to the refund included in such  
9 total of any tax deducted for federal income tax  
10 purposes, to the extent that deduction was added back  
11 under subparagraph (F). This subparagraph (X) is  
12 exempt from the provisions of Section 250; ~~and~~

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

1 (Y) is exempt from the provisions of Section 250; and ~~+~~  
2 (Z) For taxable years ending on or after December  
3 31, 2019, an amount equal to any payment made during  
4 the taxable year of any indebtedness of the taxpayer  
5 under a qualified education loan, including the  
6 payment of any interest relating to such a loan, but  
7 only to the extent that the taxpayer was not entitled  
8 to a deduction under Section 221 of the Internal  
9 Revenue Code for that payment; this subparagraph (Z)  
10 applies to payments made by the taxpayer and to  
11 payments made by the taxpayer's employer on behalf of  
12 the taxpayer; for the purposes of this subparagraph  
13 (Z), "qualified education loan" has the meaning  
14 ascribed to that term in Section 221 of the Internal  
15 Revenue Code; this subparagraph (Z) is exempt from the  
16 provisions of Section 250.

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

24 (d) Partnerships.

25 (1) In general. In the case of a partnership, base

1 income means an amount equal to the taxpayer's taxable  
2 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

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

25 (D-6) If the taxpayer sells, transfers, abandons,  
26 or otherwise disposes of property for which the

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

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

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

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

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

17 This paragraph shall not apply to the following:

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

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

1           preponderance of the evidence, both of the  
2           following:

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

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

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

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

26                  Nothing in this subsection shall preclude the

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

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



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

1 similar types of intangible assets;

2 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, from a transaction with a person if the  
3           taxpayer establishes by clear and convincing  
4           evidence, that the adjustments are unreasonable;  
5           or if the taxpayer and the Director agree in  
6           writing to the application or use of an alternative  
7           method 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-9) For taxable years ending on or after December  
18          31, 2008, an amount equal to the amount of insurance  
19          premium expenses and costs otherwise allowed as a  
20          deduction in computing base income, and that were paid,  
21          accrued, or incurred, directly or indirectly, to a  
22          person who would be a member of the same unitary  
23          business group but for the fact that the person is  
24          prohibited under Section 1501(a)(27) from being  
25          included in the unitary business group because he or  
26          she is ordinarily required to apportion business

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

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

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

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

1 (E) The valuation limitation amount;

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

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

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

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

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

5 (J) With the exception of any amounts subtracted  
6 under subparagraph (G), an amount equal to the sum of  
7 all amounts disallowed as deductions by (i) Sections  
8 171(a)(2), and 265(a)(2) ~~265(2)~~ of the Internal  
9 Revenue Code, and all amounts of expenses allocable to  
10 interest and disallowed as deductions by Section  
11 265(a)(1) ~~265(1)~~ of the Internal Revenue Code; and (ii)  
12 for taxable years ending on or after August 13, 1999,  
13 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of  
14 the Internal Revenue Code, plus, (iii) for taxable  
15 years ending on or after December 31, 2011, Section  
16 45G(e)(3) of the Internal Revenue Code and, for taxable  
17 years ending on or after December 31, 2008, any amount  
18 included in gross income under Section 87 of the  
19 Internal Revenue Code; the provisions of this  
20 subparagraph are exempt from the provisions of Section  
21 250;

22 (K) An amount equal to those dividends included in  
23 such total which were paid by a corporation which  
24 conducts business operations in a River Edge  
25 Redevelopment Zone or zones created under the River  
26 Edge Redevelopment Zone Act and conducts substantially

1 all of its operations from a River Edge Redevelopment  
2 Zone or zones. This subparagraph (K) is exempt from the  
3 provisions of Section 250;

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

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

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

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

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

12           (3) for taxable years ending after December  
13 31, 2005:

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

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

23           The aggregate amount deducted under this  
24 subparagraph in all taxable years for any one piece of  
25 property may not exceed the amount of the bonus  
26 depreciation deduction taken on that property on the



1 taxpayer's federal income tax return under subsection  
2 (k) of Section 168 of the Internal Revenue Code. This  
3 subparagraph (O) is exempt from the provisions of  
4 Section 250;

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

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

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

20 This subparagraph (P) is exempt from the  
21 provisions of Section 250;

22 (Q) The amount of (i) any interest income (net of  
23 the deductions allocable thereto) taken into account  
24 for the taxable year with respect to a transaction with  
25 a taxpayer that is required to make an addition  
26 modification with respect to such transaction under

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

13           (R) An amount equal to the interest income taken  
14          into account for the taxable year (net of the  
15          deductions allocable thereto) with respect to  
16          transactions with (i) a foreign person who would be a  
17          member of the taxpayer's unitary business group but for  
18          the fact that the foreign person's business activity  
19          outside the United States is 80% or more of that  
20          person's total business activity and (ii) for taxable  
21          years ending on or after December 31, 2008, to a person  
22          who would be a member of the same unitary business  
23          group but for the fact that the person is prohibited  
24          under Section 1501(a)(27) from being included in the  
25          unitary business group because he or she is ordinarily  
26          required to apportion business income under different

1 subsections of Section 304, but not to exceed the  
2 addition modification required to be made for the same  
3 taxable year under Section 203(d)(2)(D-7) for interest  
4 paid, accrued, or incurred, directly or indirectly, to  
5 the same person. This subparagraph (R) is exempt from  
6 Section 250;

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

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

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

17 (1) In general. Subject to the provisions of paragraph  
18 (2) and subsection (b)(3), for purposes of this Section and  
19 Section 803(e), a taxpayer's gross income, adjusted gross  
20 income, or taxable income for the taxable year shall mean  
21 the amount of gross income, adjusted gross income or  
22 taxable income properly reportable for federal income tax  
23 purposes for the taxable year under the provisions of the  
24 Internal Revenue Code. Taxable income may be less than  
25 zero. However, for taxable years ending on or after

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

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

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

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

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

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

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

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

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

1 losses incurred or carried forward for taxable years  
2 occurring prior to the date of the election. Once made,  
3 the election may only be revoked upon approval of the  
4 Director. The Department shall adopt rules setting  
5 forth requirements for documenting the elections and  
6 any resulting Illinois net loss and the standards to be  
7 used by the Director in evaluating requests to revoke  
8 elections. Public Act 96-932 is declaratory of  
9 existing law;

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

26 (H) Partnerships. In the case of a partnership,



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

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

24 (f) Valuation limitation amount.

25 (1) In general. The valuation limitation amount

1 referred to in subsections (a)(2)(G), (c)(2)(I) and  
2 (d)(2)(E) is an amount equal to:

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

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

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

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

1           such property.

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

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

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

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

1 computation of base income and net income under this Act for  
2 such taxable year, whether in respect of property values as of  
3 August 1, 1969 or otherwise.

4 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;  
5 revised 10-29-18.)

6 Section 99. Effective date. This Act takes effect upon  
7 becoming law.