

# SB0490



## 102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

SB0490

Introduced 2/23/2021, by Sen. Win Stoller

### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

35 ILCS 735/3-3.5 new

Amends the Illinois Income Tax Act. Creates an income tax deduction for an amount of up to \$50,000 per tax year contributed to a small business asset purchase account and all interest earned on such accounts during the tax year. Provides that a "small business asset purchase account" means an account established by a taxpayer, the proceeds of which are used to purchase property used primarily in Illinois for which a federal income tax deduction is claimed under Section 179 of the Internal Revenue Code. Provides an addition modification for amounts withdrawn from a small business asset purchase account that are not used for qualified purchases. Amends the Uniform Penalty and Interest Act to establish a penalty for improper use of moneys in a small business asset purchase account. Effective immediately.

LRB102 04170 HLH 14187 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  
15 the 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  
10          1, 1991, the retrospective application date of Article  
11          4 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  
24          on the account in the taxable year of a withdrawal  
25          pursuant to subsection (b) of Section 20 of the  
26          Medical Care Savings Account Act or subsection (b) of

1 Section 20 of the Medical Care Savings Account Act of  
2 2000;

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

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

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

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

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

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

1 in gross income under Section 78 of the Internal  
2 Revenue Code) with respect to the stock of the same  
3 person to whom the interest was paid, accrued, or  
4 incurred.

5 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

24 (D-18) An amount equal to the amount of intangible  
25 expenses and costs otherwise allowed as a deduction in  
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable  
2 years ending on or after December 31, 2004, to a  
3 foreign person who would be a member of the same  
4 unitary business group but for the fact that the  
5 foreign person's business activity outside the United  
6 States is 80% or more of that person's total business  
7 activity and (ii) for taxable years ending on or after  
8 December 31, 2008, to a person who would be a member of  
9 the same unitary business group but for the fact that  
10 the person is prohibited under Section 1501(a)(27)  
11 from being included in the unitary business group  
12 because he or she is ordinarily required to apportion  
13 business income under different subsections of Section  
14 304. The addition modification required by this  
15 subparagraph shall be reduced to the extent that  
16 dividends were included in base income of the unitary  
17 group for the same taxable year and received by the  
18 taxpayer or by a member of the taxpayer's unitary  
19 business group (including amounts included in gross  
20 income under Sections 951 through 964 of the Internal  
21 Revenue Code and amounts included in gross income  
22 under Section 78 of the Internal Revenue Code) with  
23 respect to the stock of the same person to whom the  
24 intangible expenses and costs were directly or  
25 indirectly paid, incurred, or accrued. The preceding  
26 sentence does not apply to the extent that the same



1 dividends caused a reduction to the addition  
2 modification required under Section 203(a)(2)(D-17) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes (1) expenses,  
5 losses, and costs for, or related to, the direct or  
6 indirect acquisition, use, maintenance or management,  
7 ownership, sale, exchange, or any other disposition of  
8 intangible property; (2) losses incurred, directly or  
9 indirectly, from factoring transactions or discounting  
10 transactions; (3) royalty, patent, technical, and  
11 copyright fees; (4) licensing fees; and (5) other  
12 similar expenses and costs. For purposes of this  
13 subparagraph, "intangible property" includes patents,  
14 patent applications, trade names, trademarks, service  
15 marks, copyrights, mask works, trade secrets, and  
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

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

1 indirectly, if the taxpayer can establish, based  
2 on a preponderance of the evidence, both of the  
3 following:

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

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

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

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

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

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

1 stock of the same person to whom the premiums and costs  
2 were directly or indirectly paid, incurred, or  
3 accrued. The preceding sentence does not apply to the  
4 extent that the same dividends caused a reduction to  
5 the addition modification required under Section  
6 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
7 Act.

8 (D-20) For taxable years beginning on or after  
9 January 1, 2002 and ending on or before December 31,  
10 2006, in the case of a distribution from a qualified  
11 tuition program under Section 529 of the Internal  
12 Revenue Code, other than (i) a distribution from a  
13 College Savings Pool created under Section 16.5 of the  
14 State Treasurer Act or (ii) a distribution from the  
15 Illinois Prepaid Tuition Trust Fund, an amount equal  
16 to the amount excluded from gross income under Section  
17 529(c)(3)(B). For taxable years beginning on or after  
18 January 1, 2007, in the case of a distribution from a  
19 qualified tuition program under Section 529 of the  
20 Internal Revenue Code, other than (i) a distribution  
21 from a College Savings Pool created under Section 16.5  
22 of the State Treasurer Act, (ii) a distribution from  
23 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
24 distribution from a qualified tuition program under  
25 Section 529 of the Internal Revenue Code that (I)  
26 adopts and determines that its offering materials

1           comply with the College Savings Plans Network's  
2           disclosure principles and (II) has made reasonable  
3           efforts to inform in-state residents of the existence  
4           of in-state qualified tuition programs by informing  
5           Illinois residents directly and, where applicable, to  
6           inform financial intermediaries distributing the  
7           program to inform in-state residents of the existence  
8           of in-state qualified tuition programs at least  
9           annually, an amount equal to the amount excluded from  
10          gross income under Section 529(c)(3)(B).

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

23           (D-20.5) For taxable years beginning on or after  
24          January 1, 2018, in the case of a distribution from a  
25          qualified ABLE program under Section 529A of the  
26          Internal Revenue Code, other than a distribution from

1 a qualified ABLE program created under Section 16.6 of  
2 the State Treasurer Act, an amount equal to the amount  
3 excluded from gross income under Section 529A(c) (1) (B)  
4 of the Internal Revenue Code;

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

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

23 (D-22) For taxable years beginning on or after  
24 January 1, 2009, and prior to January 1, 2018, in the  
25 case of a nonqualified withdrawal or refund of moneys  
26 from a qualified tuition program under Section 529 of

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

26 (D-23) An amount equal to the credit allowable to

1 the taxpayer under Section 218(a) of this Act,  
2 determined without regard to Section 218(c) of this  
3 Act;

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

8 (D-25) An amount withdrawn from a small business  
9 asset purchase account that is not used for purchases  
10 of property for which a deduction under Section 179 of  
11 the Internal Revenue Code is claimed for the tax year  
12 in which the amount is withdrawn and which property is  
13 used predominantly in Illinois; such amounts are  
14 subject to the 10% penalty for ineligible use under  
15 Section 3-3.5 of the Uniform Penalty and Interest Act;

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

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



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

24 (F) An amount equal to all amounts included in  
25 such total pursuant to the provisions of Sections  
26 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and

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

9 (G) The valuation limitation amount;

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

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

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

26 (K) An amount equal to those dividends included in

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

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

14 (M) With the exception of any amounts subtracted  
15 under subparagraph (N), an amount equal to the sum of  
16 all amounts disallowed as deductions by (i) Sections  
17 171(a)(2), ~~7~~ and 265(a)(2) of the Internal Revenue Code,  
18 and all amounts of expenses allocable to interest and  
19 disallowed as deductions by Section 265(a)(1) of the  
20 Internal Revenue Code; and (ii) for taxable years  
21 ending on or after August 13, 1999, Sections  
22 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
23 Internal Revenue Code, plus, for taxable years ending  
24 on or after December 31, 2011, Section 45G(e)(3) of  
25 the Internal Revenue Code and, for taxable years  
26 ending on or after December 31, 2008, any amount

1 included in gross income under Section 87 of the  
2 Internal Revenue Code; the provisions of this  
3 subparagraph are exempt from the provisions of Section  
4 250;

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

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

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

25 (Q) An amount equal to any amounts included in  
26 such total, received by the taxpayer as an

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

1           0.429); and

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

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

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

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

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

26                   If the taxpayer continues to own property through

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

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

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

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

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

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

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

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

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

1 provisions of Section 250;

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

18 (HH) For taxable years beginning on or after  
19 January 1, 2018 and prior to January 1, 2023, a maximum  
20 of \$10,000 contributed in the taxable year to a  
21 qualified ABLE account under Section 16.6 of the State  
22 Treasurer Act, except that amounts excluded from gross  
23 income under Section 529(c)(3)(C)(i) or Section  
24 529A(c)(1)(C) of the Internal Revenue Code shall not  
25 be considered moneys contributed under this  
26 subparagraph (HH). For purposes of this subparagraph

1 (HH), contributions made by an employer on behalf of  
2 an employee, or matching contributions made by an  
3 employee, shall be treated as made by the employee;  
4 and -

5 (II) For taxable years beginning on or after  
6 January 1, 2022, an amount of up to \$50,000 per tax  
7 year contributed to a small business asset purchase  
8 account during the tax year, plus all interest earned  
9 on such accounts during the tax year; a "small  
10 business asset purchase account" means an account  
11 established by a taxpayer, the proceeds of which are  
12 used to purchase property used primarily in Illinois  
13 for which a federal income tax deduction is claimed  
14 under Section 179 of the Internal Revenue Code.

15 (b) Corporations.

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

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

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

1 income in the computation of taxable income;

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

26 This paragraph shall not apply to the following:

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

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

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

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

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

1 payment is not federal or Illinois tax avoidance;  
2 or

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

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

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

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

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

12 This paragraph shall not apply to the following:

13 (i) any item of intangible expenses or costs  
14 paid, accrued, or incurred, directly or  
15 indirectly, from a transaction with 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 item; or

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

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

1 intangible expense or cost to a person that is  
2 not a related member, and

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

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

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



1           its authority under Section 404 of this Act;

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

1 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
2 Act;

3 (E-15) For taxable years beginning after December  
4 31, 2008, any deduction for dividends paid by a  
5 captive real estate investment trust that is allowed  
6 to a real estate investment trust under Section  
7 857(b)(2)(B) of the Internal Revenue Code for  
8 dividends paid;

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

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

17 (E-18) for taxable years beginning after December  
18 31, 2018, an amount equal to the deduction allowed  
19 under Section 250(a)(1)(A) of the Internal Revenue  
20 Code for the taxable year; -

21 (E-19) An amount withdrawn from a small business  
22 asset purchase account that is not used for purchases  
23 of property for which a deduction under Section 179 of  
24 the Internal Revenue Code is claimed for the tax year  
25 in which the amount is withdrawn and which property is  
26 used predominantly in Illinois; such amounts are

1           subject to the 10% penalty for ineligible use under  
2           Section 3-3.5 of the Uniform Penalty and Interest Act;

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

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

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

10                    (H) In the case of a regulated investment company,  
11                    an amount equal to the amount of exempt interest  
12                    dividends as defined in subsection (b) (5) of Section  
13                    852 of the Internal Revenue Code, paid to shareholders  
14                    for the taxable year;

15                    (I) With the exception of any amounts subtracted  
16                    under subparagraph (J), an amount equal to the sum of  
17                    all amounts disallowed as deductions by (i) Sections  
18                    171(a)(2),~~7~~ and 265(a)(2) and amounts disallowed as  
19                    interest expense by Section 291(a)(3) of the Internal  
20                    Revenue Code, and all amounts of expenses allocable to  
21                    interest and disallowed as deductions by Section  
22                    265(a)(1) of the Internal Revenue Code; and (ii) for  
23                    taxable years ending on or after August 13, 1999,  
24                    Sections 171(a)(2), 265, 280C, 291(a)(3), and  
25                    832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
26                    for tax years ending on or after December 31, 2011,

1 amounts disallowed as deductions by Section 45G(e) (3)  
2 of the Internal Revenue Code and, for taxable years  
3 ending on or after December 31, 2008, any amount  
4 included in gross income under Section 87 of the  
5 Internal Revenue Code and the policyholders' share of  
6 tax-exempt interest of a life insurance company under  
7 Section 807(a) (2) (B) of the Internal Revenue Code (in  
8 the case of a life insurance company with gross income  
9 from a decrease in reserves for the tax year) or  
10 Section 807(b) (1) (B) of the Internal Revenue Code (in  
11 the case of a life insurance company allowed a  
12 deduction for an increase in reserves for the tax  
13 year); the provisions of this subparagraph are exempt  
14 from the provisions of Section 250;

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

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

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

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

15          (M) For any taxpayer that is a financial  
16          organization within the meaning of Section 304(c) of  
17          this Act, an amount included in such total as interest  
18          income from a loan or loans made by such taxpayer to a  
19          borrower, to the extent that such a loan is secured by  
20          property which is eligible for the River Edge  
21          Redevelopment Zone Investment Credit. To determine the  
22          portion of a loan or loans that is secured by property  
23          eligible for a Section 201(f) investment credit to the  
24          borrower, the entire principal amount of the loan or  
25          loans between the taxpayer and the borrower should be  
26          divided into the basis of the Section 201(f)

1 investment credit property which secures the loan or  
2 loans, using for this purpose the original basis of  
3 such property on the date that it was placed in service  
4 in the River Edge Redevelopment Zone. The subtraction  
5 modification available to the taxpayer in any year  
6 under this subsection shall be that portion of the  
7 total interest paid by the borrower with respect to  
8 such loan attributable to the eligible property as  
9 calculated under the previous sentence. This  
10 subparagraph (M) is exempt from the provisions of  
11 Section 250;

12 (M-1) For any taxpayer that is a financial  
13 organization within the meaning of Section 304(c) of  
14 this Act, an amount included in such total as interest  
15 income from a loan or loans made by such taxpayer to a  
16 borrower, to the extent that such a loan is secured by  
17 property which is eligible for the High Impact  
18 Business Investment Credit. To determine the portion  
19 of a loan or loans that is secured by property eligible  
20 for a Section 201(h) investment credit to the  
21 borrower, the entire principal amount of the loan or  
22 loans between the taxpayer and the borrower should be  
23 divided into the basis of the Section 201(h)  
24 investment credit property which secures the loan or  
25 loans, using for this purpose the original basis of  
26 such property on the date that it was placed in service

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

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

23 (O) An amount equal to: (i) 85% for taxable years  
24 ending on or before December 31, 1992, or, a  
25 percentage equal to the percentage allowable under  
26 Section 243(a) (1) of the Internal Revenue Code of 1986

1 for taxable years ending after December 31, 1992, of  
2 the amount by which dividends included in taxable  
3 income and received from a corporation that is not  
4 created or organized under the laws of the United  
5 States or any state or political subdivision thereof,  
6 including, for taxable years ending on or after  
7 December 31, 1988, dividends received or deemed  
8 received or paid or deemed paid under Sections 951  
9 through 965 of the Internal Revenue Code, exceed the  
10 amount of the modification provided under subparagraph  
11 (G) of paragraph (2) of this subsection (b) which is  
12 related to such dividends, and including, for taxable  
13 years ending on or after December 31, 2008, dividends  
14 received from a captive real estate investment trust;  
15 plus (ii) 100% of the amount by which dividends,  
16 included in taxable income and received, including,  
17 for taxable years ending on or after December 31,  
18 1988, dividends received or deemed received or paid or  
19 deemed paid under Sections 951 through 964 of the  
20 Internal Revenue Code and including, for taxable years  
21 ending on or after December 31, 2008, dividends  
22 received from a captive real estate investment trust,  
23 from any such corporation specified in clause (i) that  
24 would but for the provisions of Section 1504(b)(3) of  
25 the Internal Revenue Code be treated as a member of the  
26 affiliated group which includes the dividend



1 recipient, exceed the amount of the modification  
2 provided under subparagraph (G) of paragraph (2) of  
3 this subsection (b) which is related to such  
4 dividends. This subparagraph (O) is exempt from the  
5 provisions of Section 250 of this Act;

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

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

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

1           (S) For taxable years ending on or after December  
2           31, 1997, in the case of a Subchapter S corporation, an  
3           amount equal to all amounts of income allocable to a  
4           shareholder subject to the Personal Property Tax  
5           Replacement Income Tax imposed by subsections (c) and  
6           (d) of Section 201 of this Act, including amounts  
7           allocable to organizations exempt from federal income  
8           tax by reason of Section 501(a) of the Internal  
9           Revenue Code. This subparagraph (S) is exempt from the  
10          provisions of Section 250;

11          (T) For taxable years 2001 and thereafter, for the  
12          taxable year in which the bonus depreciation deduction  
13          is taken on the taxpayer's federal income tax return  
14          under subsection (k) of Section 168 of the Internal  
15          Revenue Code and for each applicable taxable year  
16          thereafter, an amount equal to "x", where:

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

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

1           0.429); and

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

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

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

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

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

26                  If the taxpayer continues to own property through

1 the last day of the last tax year for which the  
2 taxpayer may claim a depreciation deduction for  
3 federal income tax purposes and for which the taxpayer  
4 was required in any taxable year to make an addition  
5 modification under subparagraph (E-10), then an amount  
6 equal to that addition modification.

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

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

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

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

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

1           made for the same taxable year under Section  
2           203(b)(2)(E-12) for interest paid, accrued, or  
3           incurred, directly or indirectly, to the same person.  
4           This subparagraph (W) is exempt from the provisions of  
5           Section 250;

6           (X) 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  
11          for the fact that the foreign person's business  
12          activity outside the United States is 80% or more of  
13          that person's total business activity and (ii) for  
14          taxable years ending on or after December 31, 2008, to  
15          a person who would be a member of the same unitary  
16          business group but for the fact that the person is  
17          prohibited under Section 1501(a)(27) from being  
18          included in the unitary business group because he or  
19          she is ordinarily required to apportion business  
20          income under different subsections of Section 304, but  
21          not to exceed the addition modification required to be  
22          made for the same taxable year under Section  
23          203(b)(2)(E-13) for intangible expenses and costs  
24          paid, accrued, or incurred, directly or indirectly, to  
25          the same foreign person. This subparagraph (X) is  
26          exempt from the provisions of Section 250;

1 (Y) For taxable years ending on or after December  
2 31, 2011, in the case of a taxpayer who was required to  
3 add back any insurance premiums under Section  
4 203(b)(2)(E-14), such taxpayer may elect to subtract  
5 that part of a reimbursement received from the  
6 insurance company equal to the amount of the expense  
7 or 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  
11 makes the election provided for by this subparagraph  
12 (Y), the insurer to which the premiums were paid must  
13 add back to income the amount subtracted by the  
14 taxpayer pursuant to this subparagraph (Y). This  
15 subparagraph (Y) is exempt from the provisions of  
16 Section 250; ~~and~~

17 (Z) The difference between the nondeductible  
18 controlled foreign corporation dividends under Section  
19 965(e)(3) of the Internal Revenue Code over the  
20 taxable income of the taxpayer, computed without  
21 regard to Section 965(e)(2)(A) of the Internal Revenue  
22 Code, and without regard to any net operating loss  
23 deduction. This subparagraph (Z) is exempt from the  
24 provisions of Section 250; and -

25 (AA) For taxable years beginning on or after  
26 January 1, 2022, an amount of up to \$50,000 per tax

1           year contributed to a small business asset purchase  
2           account during the tax year, plus all interest earned  
3           on such accounts during the tax year; a "small  
4           business asset purchase account" means an account  
5           established by a taxpayer, the proceeds of which are  
6           used to purchase property used primarily in Illinois  
7           for which a federal income tax deduction is claimed  
8           under Section 179 of the Internal Revenue Code.

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

17          (c) Trusts and estates.

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

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

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



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

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

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

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

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

1           they are listed:

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

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

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

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

1 of this Act;

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

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

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

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

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

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

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

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

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

9 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

1           its authority under Section 404 of this Act;

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

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

21 This paragraph shall not apply to the following:

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



1 reporting, to a tax on or measured by net income  
2 with respect to such item; or

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

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

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

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

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

11          (G-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  
5 stock of the same person to whom the premiums and costs  
6 were directly or indirectly paid, incurred, or  
7 accrued. The preceding sentence does not apply to the  
8 extent that the same dividends caused a reduction to  
9 the addition modification required under Section  
10 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this  
11 Act;

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

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

20 (G-17) An amount withdrawn from a small business  
21 asset purchase account that is not used for purchases  
22 of property for which a deduction under Section 179 of  
23 the Internal Revenue Code is claimed for the tax year  
24 in which the amount is withdrawn and which property is  
25 used predominantly in Illinois; such amounts are  
26 subject to the 10% penalty for ineligible use under

1           Section 3-3.5 of the Uniform Penalty and Interest Act;  
2           and by deducting from the total so obtained the sum of the  
3           following amounts:

4                   (H) An amount equal to all amounts included in  
5                   such total pursuant to the provisions of Sections  
6                   402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408  
7                   of the Internal Revenue Code or included in such total  
8                   as distributions under the provisions of any  
9                   retirement or disability plan for employees of any  
10                  governmental agency or unit, or retirement payments to  
11                  retired partners, which payments are excluded in  
12                  computing net earnings from self employment by Section  
13                  1402 of the Internal Revenue Code and regulations  
14                  adopted pursuant thereto;

15                   (I) The valuation limitation amount;

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

19                   (K) An amount equal to all amounts included in  
20                   taxable income as modified by subparagraphs (A), (B),  
21                   (C), (D), (E), (F) and (G) which are exempt from  
22                   taxation by this State either by reason of its  
23                   statutes or Constitution or by reason of the  
24                   Constitution, treaties or statutes of the United  
25                   States; provided that, in the case of any statute of  
26                   this State that exempts income derived from bonds or

1 other obligations from the tax imposed under this Act,  
2 the amount exempted shall be the interest net of bond  
3 premium amortization;

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

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

1 Zone or zones. This subparagraph (M) is exempt from  
2 the provisions of Section 250;

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

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

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

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

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

1           (R) For taxable years 2001 and thereafter, for the  
2 taxable year in which the bonus depreciation deduction  
3 is taken on the taxpayer's federal income tax return  
4 under subsection (k) of Section 168 of the Internal  
5 Revenue Code and for each applicable taxable year  
6 thereafter, an amount equal to "x", where:

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

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

18           (3) for taxable years ending after December  
19 31, 2005:

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

25           (ii) for property on which a bonus  
26 depreciation deduction of 50% of the adjusted



1 basis was taken, "x" equals "y" multiplied by  
2 1.0.

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

11 (S) If the taxpayer sells, transfers, abandons, or  
12 otherwise disposes of property 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 If the taxpayer continues to own property through  
17 the last day of the last tax year for which the  
18 taxpayer may claim a depreciation deduction for  
19 federal income tax purposes and for which the taxpayer  
20 was required in any taxable year to make an addition  
21 modification under subparagraph (G-10), then an amount  
22 equal to that addition modification.

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

26 This subparagraph (S) is exempt from the

1 provisions of Section 250;

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

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

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

13 (V) An amount equal to the income from intangible  
14 property taken into account for the taxable year (net  
15 of the 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  
18 for the fact that the foreign person's business  
19 activity outside the United States is 80% or more of  
20 that person's total business activity and (ii) for  
21 taxable years ending on or after December 31, 2008, to  
22 a 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, but  
2 not to exceed the addition modification required to be  
3 made for the same taxable year under Section  
4 203(c)(2)(G-13) for intangible expenses and costs  
5 paid, accrued, or incurred, directly or indirectly, to  
6 the same foreign person. This subparagraph (V) is  
7 exempt from the provisions of Section 250;

8 (W) in the case of an estate, an amount equal to  
9 all amounts included in such total pursuant to the  
10 provisions of Section 111 of the Internal Revenue Code  
11 as a recovery of items previously deducted by the  
12 decedent from adjusted gross income in the computation  
13 of taxable income. This subparagraph (W) is exempt  
14 from Section 250;

15 (X) an amount equal to the refund included in such  
16 total of any tax deducted for federal income tax  
17 purposes, to the extent that deduction was added back  
18 under subparagraph (F). This subparagraph (X) is  
19 exempt from the provisions of Section 250;

20 (Y) For taxable years ending on or after December  
21 31, 2011, in the case of a taxpayer who was required to  
22 add back any insurance premiums under Section  
23 203(c)(2)(G-14), such taxpayer may elect to subtract  
24 that part of a reimbursement received from the  
25 insurance company equal to the amount of the expense  
26 or loss (including expenses incurred by the insurance

1 company) that would have been taken into account as a  
2 deduction for federal income tax purposes if the  
3 expense or loss had been uninsured. If a taxpayer  
4 makes the election provided for by this subparagraph  
5 (Y), the insurer to which the premiums were paid must  
6 add back to income the amount subtracted by the  
7 taxpayer pursuant to this subparagraph (Y). This  
8 subparagraph (Y) is exempt from the provisions of  
9 Section 250; ~~and~~

10 (Z) For taxable years beginning after December 31,  
11 2018 and before January 1, 2026, the amount of excess  
12 business loss of the taxpayer disallowed as a  
13 deduction by Section 461(1)(1)(B) of the Internal  
14 Revenue Code; and -

15 (AA) For taxable years beginning on or after  
16 January 1, 2022, an amount of up to \$50,000 per tax  
17 year contributed to a small business asset purchase  
18 account during the tax year, plus all interest earned  
19 on such accounts during the tax year; a "small  
20 business asset purchase account" means an account  
21 established by a taxpayer, the proceeds of which are  
22 used to purchase property used primarily in Illinois  
23 for which a federal income tax deduction is claimed  
24 under Section 179 of the Internal Revenue Code.

25 (3) Limitation. The amount of any modification  
26 otherwise required under this subsection shall, under

1 regulations prescribed by the Department, be adjusted by  
2 any amounts included therein which were properly paid,  
3 credited, or required to be distributed, or permanently  
4 set aside for charitable purposes pursuant to Internal  
5 Revenue Code Section 642(c) during the taxable year.

6 (d) Partnerships.

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

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

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

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

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

24 (D) An amount equal to the amount of the capital  
25 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the  
2 computation of taxable income;

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

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

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

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

25 (D-7) An amount equal to the amount otherwise  
26 allowed as a deduction in computing base income for

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

26 This paragraph shall not apply to the following:



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

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

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

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

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

1 payment is not federal or Illinois tax avoidance;  
2 or

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

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

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

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

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

12 This paragraph shall not apply to the following:

13 (i) any item of intangible expenses or costs  
14 paid, accrued, or incurred, directly or  
15 indirectly, from a transaction with 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 item; or

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

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

1 intangible expense or cost to a person that is  
2 not a related member, and

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

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

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

1           its authority under Section 404 of this Act;

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

1 203(d) (2) (D-7) or Section 203(d) (2) (D-8) of this Act;

2 (D-10) An amount equal to the credit allowable to  
3 the taxpayer under Section 218(a) of this Act,  
4 determined without regard to Section 218(c) of this  
5 Act;

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

10 (D-12) An amount withdrawn from a small business  
11 asset purchase account that is not used for purchases  
12 of property for which a deduction under Section 179 of  
13 the Internal Revenue Code is claimed for the tax year  
14 in which the amount is withdrawn and which property is  
15 used predominantly in Illinois; such amounts are  
16 subject to the 10% penalty for ineligible use under  
17 Section 3-3.5 of the Uniform Penalty and Interest Act;

18 and by deducting from the total so obtained the following  
19 amounts:

20 (E) The valuation limitation amount;

21 (F) 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 (G) An amount equal to all amounts included in  
25 taxable income as modified by subparagraphs (A), (B),  
26 (C) and (D) which are exempt from taxation by this

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

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

16 (I) An amount equal to all amounts of income  
17 distributable to an entity subject to the Personal  
18 Property Tax Replacement Income Tax imposed by  
19 subsections (c) and (d) of Section 201 of this Act  
20 including amounts distributable to organizations  
21 exempt from federal income tax by reason of Section  
22 501(a) of the Internal Revenue Code; this subparagraph  
23 (I) is exempt from the provisions of Section 250;

24 (J) With the exception of any amounts subtracted  
25 under subparagraph (G), an amount equal to the sum of  
26 all amounts disallowed as deductions by (i) Sections



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

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

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

26 (M) An amount equal to those dividends included in

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

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

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

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

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

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

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

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

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

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

1 modification under subparagraph (D-5), then an amount  
2 equal to that addition modification.

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

13 This subparagraph (P) is exempt from the  
14 provisions of Section 250;

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

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

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

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

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

21 (T) For taxable years ending on or after December  
22 31, 2011, in the case of a taxpayer who was required to  
23 add back any insurance premiums under Section  
24 203(d)(2)(D-9), such taxpayer may elect to subtract  
25 that part of a reimbursement received from the  
26 insurance company equal to the amount of the expense

1 or loss (including expenses incurred by the insurance  
2 company) that would have been taken into account as a  
3 deduction for federal income tax purposes if the  
4 expense or loss had been uninsured. If a taxpayer  
5 makes the election provided for by this subparagraph  
6 (T), the insurer to which the premiums were paid must  
7 add back to income the amount subtracted by the  
8 taxpayer pursuant to this subparagraph (T). This  
9 subparagraph (T) is exempt from the provisions of  
10 Section 250; and -

11 (U) For taxable years beginning on or after  
12 January 1, 2022, an amount of up to \$50,000 per tax  
13 year contributed to a small business asset purchase  
14 account during the tax year, plus all interest earned  
15 on such accounts during the tax year; a "small  
16 business asset purchase account" means an account  
17 established by a taxpayer, the proceeds of which are  
18 used to purchase property used primarily in Illinois  
19 for which a federal income tax deduction is claimed  
20 under Section 179 of the Internal Revenue Code.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

1 effect a federal election to opt out of the provisions  
2 of the Subchapter S Revision Act of 1982 and have  
3 applied instead the prior federal Subchapter S rules  
4 as in effect on July 1, 1982, the taxable income of  
5 such corporation determined in accordance with the  
6 federal Subchapter S rules as in effect on July 1,  
7 1982; and

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

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

1           computed for the business under Section 304 of this Act  
2           for the taxable year or the average of the apportionment  
3           fractions computed for the business under Section 304 of  
4           this Act for the taxable year and for the 2 immediately  
5           preceding taxable years.

6           (f) Valuation limitation amount.

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

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

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

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

25           (A) If the fair market value of property referred

1 to in paragraph (1) was readily ascertainable on  
2 August 1, 1969, the pre-August 1, 1969 appreciation  
3 amount for such property is the lesser of (i) the  
4 excess of such fair market value over the taxpayer's  
5 basis (for determining gain) for such property on that  
6 date (determined under the Internal Revenue Code as in  
7 effect on that date), or (ii) the total gain realized  
8 and reportable for federal income tax purposes in  
9 respect of the sale, exchange or other disposition of  
10 such property.

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

22 (C) The Department shall prescribe such  
23 regulations as may be necessary to carry out the  
24 purposes of this paragraph.

25 (g) Double deductions. Unless specifically provided

1 otherwise, nothing in this Section shall permit the same item  
2 to be deducted more than once.

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

12 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;  
13 101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

14 Section 10. The Uniform Penalty and Interest Act is  
15 amended by adding Section 3-3.5 as follows:

16 (35 ILCS 735/3-3.5 new)

17 Sec. 3-3.5. Penalty for improper use of proceeds of Small  
18 Business Asset Purchase Account. A penalty of 10% of the  
19 amount withdrawn from a small business asset purchase account,  
20 as defined in Section 203 of the Illinois Income Tax Act,  
21 during a tax year that is used for purchases of property for  
22 which a deduction under Section 179 of the Internal Revenue  
23 Code is not claimed for the tax year in which the amount is

1 withdrawn, or purchases of property for which the deduction  
2 under Section 179 of the Internal Revenue Code is claimed that  
3 is not used predominantly in Illinois.

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