

# SB2162



## 102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

SB2162

Introduced 2/26/2021, by Sen. Neil Anderson

### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction in an amount equal to any overtime wages paid to the taxpayer during the taxable year. Effective immediately.

LRB102 14452 HLH 19804 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 and by deducting from the total so obtained the sum of the  
9 following amounts:

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



1 in respect of any compensation (including but not  
2 limited to any compensation paid or accrued to a  
3 serviceman while a prisoner of war or missing in  
4 action) paid to a resident by reason of being a member  
5 of any component of the Armed Forces of the United  
6 States and in respect of any compensation paid or  
7 accrued to a resident who as a governmental employee  
8 was a prisoner of war or missing in action, and in  
9 respect of any compensation paid to a resident in 2001  
10 or thereafter by reason of being a member of the  
11 Illinois National Guard or, beginning with taxable  
12 years ending on or after December 31, 2007, the  
13 National Guard of any other state. The provisions of  
14 this subparagraph (E) are exempt from the provisions  
15 of Section 250;

16 (F) An amount equal to all amounts included in  
17 such total pursuant to the provisions of Sections  
18 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
19 408 of the Internal Revenue Code, or included in such  
20 total as distributions under the provisions of any  
21 retirement or disability plan for employees of any  
22 governmental agency or unit, or retirement payments to  
23 retired partners, which payments are excluded in  
24 computing net earnings from self employment by Section  
25 1402 of the Internal Revenue Code and regulations  
26 adopted pursuant thereto;

1 (G) The valuation limitation amount;

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

5 (I) An amount equal to all amounts included in  
6 such total pursuant to the provisions of Section 111  
7 of the Internal Revenue Code as a recovery of items  
8 previously deducted from adjusted gross income in the  
9 computation of taxable income;

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

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

1           (L) For taxable years ending after December 31,  
2 1983, an amount equal to all social security benefits  
3 and railroad retirement benefits included in such  
4 total pursuant to Sections 72(r) and 86 of the  
5 Internal Revenue Code;

6           (M) With the exception of any amounts subtracted  
7 under subparagraph (N), an amount equal to the sum of  
8 all amounts disallowed as deductions by (i) Sections  
9 171(a)(2),~~7~~ and 265(a)(2) of the Internal Revenue Code,  
10 and all amounts of expenses allocable to interest and  
11 disallowed as deductions by Section 265(a)(1) of the  
12 Internal Revenue Code; and (ii) for taxable years  
13 ending on or after August 13, 1999, Sections  
14 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
15 Internal Revenue Code, plus, for taxable years ending  
16 on or after December 31, 2011, Section 45G(e)(3) of  
17 the Internal Revenue Code and, for taxable years  
18 ending on or after December 31, 2008, any amount  
19 included in gross income under Section 87 of the  
20 Internal Revenue Code; the provisions of this  
21 subparagraph are exempt from the provisions of Section  
22 250;

23           (N) An amount equal to all amounts included in  
24 such total which are exempt from taxation by this  
25 State either by reason of its statutes or Constitution  
26 or by reason of the Constitution, treaties or statutes

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

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

9 (P) 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 or of any itemized deduction  
14 taken from adjusted gross income in the computation of  
15 taxable income for restoration of substantial amounts  
16 held under claim of right for the taxable year;

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

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

25 (S) An amount, to the extent included in adjusted  
26 gross income, equal to the amount of a contribution

1 made in the taxable year on behalf of the taxpayer to a  
2 medical care savings account established under the  
3 Medical Care Savings Account Act or the Medical Care  
4 Savings Account Act of 2000 to the extent the  
5 contribution is accepted by the account administrator  
6 as provided in that Act;

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

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

20 (V) Beginning with tax years ending on or after  
21 December 31, 1995 and ending with tax years ending on  
22 or before December 31, 2004, an amount equal to the  
23 amount paid by a taxpayer who is a self-employed  
24 taxpayer, a partner of a partnership, or a shareholder  
25 in a Subchapter S corporation for health insurance or  
26 long-term care insurance for that taxpayer or that

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

21 (W) For taxable years beginning on or after  
22 January 1, 1998, all amounts included in the  
23 taxpayer's federal gross income in the taxable year  
24 from amounts converted from a regular IRA to a Roth  
25 IRA. This paragraph is exempt from the provisions of  
26 Section 250;

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

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

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



1 made by the employee. This subparagraph (Y) is exempt  
2 from the provisions of Section 250;

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

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

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

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

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

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

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

13                  (AA) 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 that addition modification.

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

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

1 one piece of property.

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

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

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

24 (DD) An amount equal to the interest income taken  
25 into account for the taxable year (net of the  
26 deductions allocable thereto) with respect to

1 transactions with (i) a foreign person who would be a  
2 member of the taxpayer's unitary business group but  
3 for the fact that the foreign person's business  
4 activity outside the United States is 80% or more of  
5 that person's total business activity and (ii) for  
6 taxable years ending on or after December 31, 2008, 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, but  
13 not to exceed the addition modification required to be  
14 made for the same taxable year under Section  
15 203(a)(2)(D-17) for interest paid, accrued, or  
16 incurred, directly or indirectly, to the same person.  
17 This subparagraph (DD) is exempt from the provisions  
18 of Section 250;

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

1 taxable years ending on or after December 31, 2008, to  
2 a person who would be a member of the same unitary  
3 business group but for the fact that the person is  
4 prohibited under Section 1501(a)(27) from being  
5 included in the unitary business group because he or  
6 she is ordinarily required to apportion business  
7 income under different subsections of Section 304, but  
8 not to exceed the addition modification required to be  
9 made for the same taxable year under Section  
10 203(a)(2)(D-18) for intangible expenses and costs  
11 paid, accrued, or incurred, directly or indirectly, to  
12 the same foreign person. This subparagraph (EE) is  
13 exempt from the provisions of Section 250;

14 (FF) An amount equal to any amount awarded to the  
15 taxpayer during the taxable year by the Court of  
16 Claims under subsection (c) of Section 8 of the Court  
17 of Claims Act for time unjustly served in a State  
18 prison. This subparagraph (FF) is exempt from the  
19 provisions of Section 250;

20 (GG) 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(a)(2)(D-19), 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 (GG), 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 (GG). This  
8 subparagraph (GG) is exempt from the provisions of  
9 Section 250; ~~and~~

10 (HH) For taxable years beginning on or after  
11 January 1, 2018 and prior to January 1, 2023, a maximum  
12 of \$10,000 contributed in the taxable year to a  
13 qualified ABLE account under Section 16.6 of the State  
14 Treasurer Act, except that amounts excluded from gross  
15 income under Section 529(c)(3)(C)(i) or Section  
16 529A(c)(1)(C) of the Internal Revenue Code shall not  
17 be considered moneys contributed under this  
18 subparagraph (HH). For purposes of this subparagraph  
19 (HH), contributions made by an employer on behalf of  
20 an employee, or matching contributions made by an  
21 employee, shall be treated as made by the employee;  
22 and-

23 (II) For taxable years beginning on or after  
24 January 1, 2021, an amount equal to any overtime wages  
25 paid to the taxpayer during the taxable year, at  
26 regular or overtime rates, in excess of the taxpayer's

1           regular and normal monthly or weekly salary. This  
2           subparagraph (II) is exempt from the provisions of  
3           Section 250.

4           (b) Corporations.

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

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

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

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

20           (C) In the case of a regulated investment company,  
21           an amount equal to the excess of (i) the net long-term  
22           capital gain for the taxable year, over (ii) the  
23           amount of the capital gain dividends designated as  
24           such in accordance with Section 852(b)(3)(C) of the  
25           Internal Revenue Code and any amount designated under

1 Section 852(b)(3)(D) of the Internal Revenue Code,  
2 attributable to the taxable year (this amendatory Act  
3 of 1995 (Public Act 89-89) is declarative of existing  
4 law and is not a new enactment);

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

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

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



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

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

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

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

23          (E-11) If the taxpayer sells, transfers, abandons,  
24          or otherwise disposes of property for which the  
25          taxpayer was required in any taxable year to make an  
26          addition modification under subparagraph (E-10), then

1 an amount equal to the aggregate amount of the  
2 deductions taken in all taxable years under  
3 subparagraph (T) with respect to that property.

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

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

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

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

15 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

1 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

18 (E-15) For taxable years beginning after December  
19 31, 2008, any deduction for dividends paid by a  
20 captive real estate investment trust that is allowed  
21 to a real estate investment trust under Section  
22 857(b)(2)(B) of the Internal Revenue Code for  
23 dividends paid;

24 (E-16) An amount equal to the credit allowable to  
25 the taxpayer under Section 218(a) of this Act,  
26 determined without regard to Section 218(c) of this

1 Act;

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

6 (E-18) for taxable years beginning after December  
7 31, 2018, an amount equal to the deduction allowed  
8 under Section 250(a)(1)(A) of the Internal Revenue  
9 Code for the taxable year.

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

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

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

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

22 (I) With the exception of any amounts subtracted  
23 under subparagraph (J), an amount equal to the sum of  
24 all amounts disallowed as deductions by (i) Sections  
25 171(a)(2) and 265(a)(2) and amounts disallowed as  
26 interest expense by Section 291(a)(3) of the Internal

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

22 (J) An amount equal to all amounts included in  
23 such total which are exempt from taxation by this  
24 State either by reason of its statutes or Constitution  
25 or by reason of the Constitution, treaties or statutes  
26 of the United States; provided that, in the case of any

1 statute of this State that exempts income derived from  
2 bonds or other obligations from the tax imposed under  
3 this Act, the amount exempted shall be the interest  
4 net of bond premium amortization;

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

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

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

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

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

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

19 (N) Two times any contribution made during the  
20 taxable year to a designated zone organization to the  
21 extent that the contribution (i) qualifies as a  
22 charitable contribution under subsection (c) of  
23 Section 170 of the Internal Revenue Code and (ii)  
24 must, by its terms, be used for a project approved by  
25 the Department of Commerce and Economic Opportunity  
26 under Section 11 of the Illinois Enterprise Zone Act

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

4 (O) An amount equal to: (i) 85% for taxable years  
5 ending on or before December 31, 1992, or, a  
6 percentage equal to the percentage allowable under  
7 Section 243(a)(1) of the Internal Revenue Code of 1986  
8 for taxable years ending after December 31, 1992, of  
9 the amount by which dividends included in taxable  
10 income and received from a corporation that is not  
11 created or organized under the laws of the United  
12 States or any state or political subdivision thereof,  
13 including, for taxable years ending on or after  
14 December 31, 1988, dividends received or deemed  
15 received or paid or deemed paid under Sections 951  
16 through 965 of the Internal Revenue Code, exceed the  
17 amount of the modification provided under subparagraph  
18 (G) of paragraph (2) of this subsection (b) which is  
19 related to such dividends, and including, for taxable  
20 years ending on or after December 31, 2008, dividends  
21 received from a captive real estate investment trust;  
22 plus (ii) 100% of the amount by which dividends,  
23 included in taxable income and received, including,  
24 for taxable years ending on or after December 31,  
25 1988, dividends received or deemed received or paid or  
26 deemed paid under Sections 951 through 964 of the

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

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

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

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



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

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

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

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

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

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

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

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

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

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

1 Section 250;

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

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

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

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

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

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

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

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

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

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

24 (Z) The difference between the nondeductible  
25 controlled foreign corporation dividends under Section  
26 965(e)(3) of the Internal Revenue Code over the

1 taxable income of the taxpayer, computed without  
2 regard to Section 965(e) (2) (A) of the Internal Revenue  
3 Code, and without regard to any net operating loss  
4 deduction. This subparagraph (Z) is exempt from the  
5 provisions of Section 250.

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

14 (c) Trusts and estates.

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

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

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

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

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

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

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

25                   (i) the addition modification relating to the  
26 net operating loss carried back or forward to the



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

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

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

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

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

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

3 (G-5) For taxable years ending after December 31,  
4 1997, an amount equal to any eligible remediation  
5 costs that the trust or estate deducted in computing  
6 adjusted gross income and for which the trust or  
7 estate claims a credit under subsection (l) of Section  
8 201;

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

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

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

1 equal to that subtraction modification.

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

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

1 through 964 of the Internal Revenue Code and amounts  
2 included in gross income under Section 78 of the  
3 Internal Revenue Code) with respect to the stock of  
4 the same person to whom the interest was paid,  
5 accrued, or incurred.

6 This paragraph shall not apply to the following:

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

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

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

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

1 terms; or

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

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

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

25 (G-13) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in

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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, if the taxpayer can establish, based  
3           on a preponderance of the evidence, both of the  
4           following:

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

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

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

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



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

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

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

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

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

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

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

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

4 (I) The valuation limitation amount;

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

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

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

1 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
2 Internal Revenue Code, plus, (iii) for taxable years  
3 ending on or after December 31, 2011, Section  
4 45G(e)(3) of the Internal Revenue Code and, for  
5 taxable years ending on or after December 31, 2008,  
6 any amount included in gross income under Section 87  
7 of the Internal Revenue Code; the provisions of this  
8 subparagraph are exempt from the provisions of Section  
9 250;

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

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

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

1           subparagraph (M) of paragraph (2) of this subsection  
2           shall not be eligible for the deduction provided under  
3           this subparagraph (O);

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

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

22 (1) "y" equals the amount of the depreciation  
23 deduction taken for the taxable year on the  
24 taxpayer's federal income tax return on property  
25 for which the bonus depreciation deduction was  
26 taken in any year under subsection (k) of Section

1           168 of the Internal Revenue Code, but not  
2           including the bonus depreciation deduction;

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

7           (3) for taxable years ending after December  
8           31, 2005:

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

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

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

26           (S) If the taxpayer sells, transfers, abandons, or

1 otherwise disposes of property for which the taxpayer  
2 was required in any taxable year to make an addition  
3 modification under subparagraph (G-10), then an amount  
4 equal to that addition modification.

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

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

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

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



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

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

1 is exempt from the provisions of Section 250;

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

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

1 decedent from adjusted gross income in the computation  
2 of taxable income. This subparagraph (W) is exempt  
3 from Section 250;

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

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

25 (Z) For taxable years beginning after December 31,  
26 2018 and before January 1, 2026, the amount of excess

1 business loss of the taxpayer disallowed as a  
2 deduction by Section 461(1)(1)(B) of the Internal  
3 Revenue Code.

4 (3) Limitation. The amount of any modification  
5 otherwise required under this subsection shall, under  
6 regulations prescribed by the Department, be adjusted by  
7 any amounts included therein which were properly paid,  
8 credited, or required to be distributed, or permanently  
9 set aside for charitable purposes pursuant to Internal  
10 Revenue Code Section 642(c) during the taxable year.

11 (d) Partnerships.

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

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

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

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

25 (C) The amount of deductions allowed to the

1 partnership pursuant to Section 707 (c) of the  
2 Internal Revenue Code in calculating its taxable  
3 income;

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

8 (D-5) 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-6) 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-5), then  
17 an amount equal to the aggregate amount of the  
18 deductions taken in all taxable years under  
19 subparagraph (O) 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 (O), 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-7) 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 the 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 pursuant to Sections 951  
26 through 964 of the Internal Revenue Code and amounts

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

24 (D-8) 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 pursuant to Sections 951 through 964 of the  
21 Internal Revenue Code and amounts included in gross  
22 income under Section 78 of the Internal Revenue Code)  
23 with respect to the stock of the same person to whom  
24 the intangible expenses and costs were directly or  
25 indirectly paid, incurred or accrued. The preceding  
26 sentence shall not apply to the extent that the same

1 dividends caused a reduction to the addition  
2 modification required under Section 203(d)(2)(D-7) 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-9) 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(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

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

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

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

17 (E) The valuation limitation amount;

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

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

1 statute of this State that exempts income derived from  
2 bonds or other obligations from the tax imposed under  
3 this Act, the amount exempted shall be the interest  
4 net of bond premium amortization;

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

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

21 (J) With the exception of any amounts subtracted  
22 under subparagraph (G), an amount equal to the sum of  
23 all amounts disallowed as deductions by (i) Sections  
24 171(a) (2) ~~7~~ and 265(a) (2) of the Internal Revenue Code,  
25 and all amounts of expenses allocable to interest and  
26 disallowed as deductions by Section 265(a) (1) of the

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

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

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

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

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

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

11 (O) 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 (O) is exempt from the provisions of  
20           Section 250;

21                   (P) 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 (D-5), 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 (D-5), 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 (P) is exempt from the  
11 provisions of Section 250;

12 (Q) 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 and (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. This subparagraph (Q) is exempt  
2 from Section 250;

3 (R) An amount equal to the interest income taken  
4 into account for the taxable year (net of the  
5 deductions allocable thereto) with respect to  
6 transactions with (i) a foreign person who would be a  
7 member of the taxpayer's unitary business group but  
8 for the fact that the foreign person's business  
9 activity outside the United States is 80% or more of  
10 that person's total business activity and (ii) for  
11 taxable years ending on or after December 31, 2008, 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, but  
18 not to exceed the addition modification required to be  
19 made for the same taxable year under Section  
20 203(d)(2)(D-7) for interest paid, accrued, or  
21 incurred, directly or indirectly, to the same person.  
22 This subparagraph (R) is exempt from Section 250;

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

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

18 (T) For taxable years ending on or after December  
19 31, 2011, in the case of a taxpayer who was required to  
20 add back any insurance premiums under Section  
21 203(d)(2)(D-9), such taxpayer may elect to subtract  
22 that part of a reimbursement received from the  
23 insurance company equal to the amount of the expense  
24 or loss (including expenses incurred by the insurance  
25 company) that would have been taken into account as a  
26 deduction for federal income tax purposes if the

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

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

9 (1) In general. Subject to the provisions of paragraph  
10 (2) and subsection (b) (3), for purposes of this Section  
11 and Section 803(e), a taxpayer's gross income, adjusted  
12 gross income, or taxable income for the taxable year shall  
13 mean the amount of gross income, adjusted gross income or  
14 taxable income properly reportable for federal income tax  
15 purposes for the taxable year under the provisions of the  
16 Internal Revenue Code. Taxable income may be less than  
17 zero. However, for taxable years ending on or after  
18 December 31, 1986, net operating loss carryforwards from  
19 taxable years ending prior to December 31, 1986, may not  
20 exceed the sum of federal taxable income for the taxable  
21 year before net operating loss deduction, plus the excess  
22 of addition modifications over subtraction modifications  
23 for the taxable year. For taxable years ending prior to  
24 December 31, 1986, taxable income may never be an amount  
25 in excess of the net operating loss for the taxable year as

1 defined in subsections (c) and (d) of Section 172 of the  
2 Internal Revenue Code, provided that when taxable income  
3 of a corporation (other than a Subchapter S corporation),  
4 trust, or estate is less than zero and addition  
5 modifications, other than those provided by subparagraph  
6 (E) of paragraph (2) of subsection (b) for corporations or  
7 subparagraph (E) of paragraph (2) of subsection (c) for  
8 trusts and estates, exceed subtraction modifications, an  
9 addition modification must be made under those  
10 subparagraphs for any other taxable year to which the  
11 taxable income less than zero (net operating loss) is  
12 applied under Section 172 of the Internal Revenue Code or  
13 under subparagraph (E) of paragraph (2) of this subsection  
14 (e) applied in conjunction with Section 172 of the  
15 Internal Revenue Code.

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

19 (A) Certain life insurance companies. In the case  
20 of a life insurance company subject to the tax imposed  
21 by Section 801 of the Internal Revenue Code, life  
22 insurance company taxable income, plus the amount of  
23 distribution from pre-1984 policyholder surplus  
24 accounts as calculated under Section 815a of the  
25 Internal Revenue Code;

26 (B) Certain other insurance companies. In the case

1 of mutual insurance companies subject to the tax  
2 imposed by Section 831 of the Internal Revenue Code,  
3 insurance company taxable income;

4 (C) Regulated investment companies. In the case of  
5 a regulated investment company subject to the tax  
6 imposed by Section 852 of the Internal Revenue Code,  
7 investment company taxable income;

8 (D) Real estate investment trusts. In the case of  
9 a real estate investment trust subject to the tax  
10 imposed by Section 857 of the Internal Revenue Code,  
11 real estate investment trust taxable income;

12 (E) Consolidated corporations. In the case of a  
13 corporation which is a member of an affiliated group  
14 of corporations filing a consolidated income tax  
15 return for the taxable year for federal income tax  
16 purposes, taxable income determined as if such  
17 corporation had filed a separate return for federal  
18 income tax purposes for the taxable year and each  
19 preceding taxable year for which it was a member of an  
20 affiliated group. For purposes of this subparagraph,  
21 the taxpayer's separate taxable income shall be  
22 determined as if the election provided by Section  
23 243(b)(2) of the Internal Revenue Code had been in  
24 effect for all such years;

25 (F) Cooperatives. In the case of a cooperative  
26 corporation or association, the taxable income of such

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



1           used by the Director in evaluating requests to revoke  
2           elections. Public Act 96-932 is declaratory of  
3           existing law;

4           (G) Subchapter S corporations. In the case of: (i)  
5           a Subchapter S corporation for which there is in  
6           effect an election for the taxable year under Section  
7           1362 of the Internal Revenue Code, the taxable income  
8           of such corporation determined in accordance with  
9           Section 1363(b) of the Internal Revenue Code, except  
10          that taxable income shall take into account those  
11          items which are required by Section 1363(b)(1) of the  
12          Internal Revenue Code to be separately stated; and  
13          (ii) a Subchapter S corporation for which there is in  
14          effect a federal election to opt out of the provisions  
15          of the Subchapter S Revision Act of 1982 and have  
16          applied instead the prior federal Subchapter S rules  
17          as in effect on July 1, 1982, the taxable income of  
18          such corporation determined in accordance with the  
19          federal Subchapter S rules as in effect on July 1,  
20          1982; and

21          (H) Partnerships. In the case of a partnership,  
22          taxable income determined in accordance with Section  
23          703 of the Internal Revenue Code, except that taxable  
24          income shall take into account those items which are  
25          required by Section 703(a)(1) to be separately stated  
26          but which would be taken into account by an individual

1 in calculating his taxable income.

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

19 (f) Valuation limitation amount.

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

23 (A) The sum of the pre-August 1, 1969 appreciation  
24 amounts (to the extent consisting of gain reportable  
25 under the provisions of Section 1245 or 1250 of the

1 Internal Revenue Code) for all property in respect of  
2 which such gain was reported for the taxable year;  
3 plus

4 (B) The lesser of (i) the sum of the pre-August 1,  
5 1969 appreciation amounts (to the extent consisting of  
6 capital gain) for all property in respect of which  
7 such gain was reported for federal income tax purposes  
8 for the taxable year, or (ii) the net capital gain for  
9 the taxable year, reduced in either case by any amount  
10 of such gain included in the amount determined under  
11 subsection (a) (2) (F) or (c) (2) (H).

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

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

24 (B) If the fair market value of property referred  
25 to in paragraph (1) was not readily ascertainable on  
26 August 1, 1969, the pre-August 1, 1969 appreciation

1 amount for such property is that amount which bears  
2 the same ratio to the total gain reported in respect of  
3 the property for federal income tax purposes for the  
4 taxable year, as the number of full calendar months in  
5 that part of the taxpayer's holding period for the  
6 property ending July 31, 1969 bears to the number of  
7 full calendar months in the taxpayer's entire holding  
8 period for the property.

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

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

15 (h) Legislative intention. Except as expressly provided by  
16 this Section there shall be no modifications or limitations on  
17 the amounts of income, gain, loss or deduction taken into  
18 account in determining gross income, adjusted gross income or  
19 taxable income for federal income tax purposes for the taxable  
20 year, or in the amount of such items entering into the  
21 computation of base income and net income under this Act for  
22 such taxable year, whether in respect of property values as of  
23 August 1, 1969 or otherwise.

24 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;

1 101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

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