

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 Sections 201, 203, and 901 as follows:

6 (35 ILCS 5/201)

7 (Text of Section without the changes made by P.A. 101-8,  
8 which did not take effect (see Section 99 of P.A. 101-8))

9 Sec. 201. Tax imposed.

10 (a) In general. A tax measured by net income is hereby  
11 imposed on every individual, corporation, trust and estate for  
12 each taxable year ending after July 31, 1969 on the privilege  
13 of earning or receiving income in or as a resident of this  
14 State. Such tax shall be in addition to all other occupation or  
15 privilege taxes imposed by this State or by any municipal  
16 corporation or political subdivision thereof.

17 (b) Rates. The tax imposed by subsection (a) of this  
18 Section shall be determined as follows, except as adjusted by  
19 subsection (d-1):

20 (1) In the case of an individual, trust or estate, for  
21 taxable years ending prior to July 1, 1989, an amount  
22 equal to 2 1/2% of the taxpayer's net income for the  
23 taxable year.

1           (2) In the case of an individual, trust or estate, for  
2 taxable years beginning prior to July 1, 1989 and ending  
3 after June 30, 1989, an amount equal to the sum of (i) 2  
4 1/2% of the taxpayer's net income for the period prior to  
5 July 1, 1989, as calculated under Section 202.3, and (ii)  
6 3% of the taxpayer's net income for the period after June  
7 30, 1989, as calculated under Section 202.3.

8           (3) In the case of an individual, trust or estate, for  
9 taxable years beginning after June 30, 1989, and ending  
10 prior to January 1, 2011, an amount equal to 3% of the  
11 taxpayer's net income for the taxable year.

12           (4) In the case of an individual, trust, or estate,  
13 for taxable years beginning prior to January 1, 2011, and  
14 ending after December 31, 2010, an amount equal to the sum  
15 of (i) 3% of the taxpayer's net income for the period prior  
16 to January 1, 2011, as calculated under Section 202.5, and  
17 (ii) 5% of the taxpayer's net income for the period after  
18 December 31, 2010, as calculated under Section 202.5.

19           (5) In the case of an individual, trust, or estate,  
20 for taxable years beginning on or after January 1, 2011,  
21 and ending prior to January 1, 2015, an amount equal to 5%  
22 of the taxpayer's net income for the taxable year.

23           (5.1) In the case of an individual, trust, or estate,  
24 for taxable years beginning prior to January 1, 2015, and  
25 ending after December 31, 2014, an amount equal to the sum  
26 of (i) 5% of the taxpayer's net income for the period prior

1 to January 1, 2015, as calculated under Section 202.5, and  
2 (ii) 3.75% of the taxpayer's net income for the period  
3 after December 31, 2014, as calculated under Section  
4 202.5.

5 (5.2) In the case of an individual, trust, or estate,  
6 for taxable years beginning on or after January 1, 2015,  
7 and ending prior to July 1, 2017, an amount equal to 3.75%  
8 of the taxpayer's net income for the taxable year.

9 (5.3) In the case of an individual, trust, or estate,  
10 for taxable years beginning prior to July 1, 2017, and  
11 ending after June 30, 2017, an amount equal to the sum of  
12 (i) 3.75% of the taxpayer's net income for the period  
13 prior to July 1, 2017, as calculated under Section 202.5,  
14 and (ii) 4.95% of the taxpayer's net income for the period  
15 after June 30, 2017, as calculated under Section 202.5.

16 (5.4) In the case of an individual, trust, or estate,  
17 for taxable years beginning on or after July 1, 2017, an  
18 amount equal to 4.95% of the taxpayer's net income for the  
19 taxable year.

20 (6) In the case of a corporation, for taxable years  
21 ending prior to July 1, 1989, an amount equal to 4% of the  
22 taxpayer's net income for the taxable year.

23 (7) In the case of a corporation, for taxable years  
24 beginning prior to July 1, 1989 and ending after June 30,  
25 1989, an amount equal to the sum of (i) 4% of the  
26 taxpayer's net income for the period prior to July 1,

1 1989, as calculated under Section 202.3, and (ii) 4.8% of  
2 the taxpayer's net income for the period after June 30,  
3 1989, as calculated under Section 202.3.

4 (8) In the case of a corporation, for taxable years  
5 beginning after June 30, 1989, and ending prior to January  
6 1, 2011, an amount equal to 4.8% of the taxpayer's net  
7 income for the taxable year.

8 (9) In the case of a corporation, for taxable years  
9 beginning prior to January 1, 2011, and ending after  
10 December 31, 2010, an amount equal to the sum of (i) 4.8%  
11 of the taxpayer's net income for the period prior to  
12 January 1, 2011, as calculated under Section 202.5, and  
13 (ii) 7% of the taxpayer's net income for the period after  
14 December 31, 2010, as calculated under Section 202.5.

15 (10) In the case of a corporation, for taxable years  
16 beginning on or after January 1, 2011, and ending prior to  
17 January 1, 2015, an amount equal to 7% of the taxpayer's  
18 net income for the taxable year.

19 (11) In the case of a corporation, for taxable years  
20 beginning prior to January 1, 2015, and ending after  
21 December 31, 2014, an amount equal to the sum of (i) 7% of  
22 the taxpayer's net income for the period prior to January  
23 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
24 of the taxpayer's net income for the period after December  
25 31, 2014, as calculated under Section 202.5.

26 (12) In the case of a corporation, for taxable years

1 beginning on or after January 1, 2015, and ending prior to  
2 July 1, 2017, an amount equal to 5.25% of the taxpayer's  
3 net income for the taxable year.

4 (13) In the case of a corporation, for taxable years  
5 beginning prior to July 1, 2017, and ending after June 30,  
6 2017, an amount equal to the sum of (i) 5.25% of the  
7 taxpayer's net income for the period prior to July 1,  
8 2017, as calculated under Section 202.5, and (ii) 7% of  
9 the taxpayer's net income for the period after June 30,  
10 2017, as calculated under Section 202.5.

11 (14) In the case of a corporation, for taxable years  
12 beginning on or after July 1, 2017, an amount equal to 7%  
13 of the taxpayer's net income for the taxable year.

14 The rates under this subsection (b) are subject to the  
15 provisions of Section 201.5.

16 (b-5) Surcharge; sale or exchange of assets, properties,  
17 and intangibles of organization gaming licensees. For each of  
18 taxable years 2019 through 2027, a surcharge is imposed on all  
19 taxpayers on income arising from the sale or exchange of  
20 capital assets, depreciable business property, real property  
21 used in the trade or business, and Section 197 intangibles (i)  
22 of an organization licensee under the Illinois Horse Racing  
23 Act of 1975 and (ii) of an organization gaming licensee under  
24 the Illinois Gambling Act. The amount of the surcharge is  
25 equal to the amount of federal income tax liability for the  
26 taxable year attributable to those sales and exchanges. The

1 surcharge imposed shall not apply if:

2 (1) the organization gaming license, organization  
3 license, or racetrack property is transferred as a result  
4 of any of the following:

5 (A) bankruptcy, a receivership, or a debt  
6 adjustment initiated by or against the initial  
7 licensee or the substantial owners of the initial  
8 licensee;

9 (B) cancellation, revocation, or termination of  
10 any such license by the Illinois Gaming Board or the  
11 Illinois Racing Board;

12 (C) a determination by the Illinois Gaming Board  
13 that transfer of the license is in the best interests  
14 of Illinois gaming;

15 (D) the death of an owner of the equity interest in  
16 a licensee;

17 (E) the acquisition of a controlling interest in  
18 the stock or substantially all of the assets of a  
19 publicly traded company;

20 (F) a transfer by a parent company to a wholly  
21 owned subsidiary; or

22 (G) the transfer or sale to or by one person to  
23 another person where both persons were initial owners  
24 of the license when the license was issued; or

25 (2) the controlling interest in the organization  
26 gaming license, organization license, or racetrack

1 property is transferred in a transaction to lineal  
2 descendants in which no gain or loss is recognized or as a  
3 result of a transaction in accordance with Section 351 of  
4 the Internal Revenue Code in which no gain or loss is  
5 recognized; or

6 (3) live horse racing was not conducted in 2010 at a  
7 racetrack located within 3 miles of the Mississippi River  
8 under a license issued pursuant to the Illinois Horse  
9 Racing Act of 1975.

10 The transfer of an organization gaming license,  
11 organization license, or racetrack property by a person other  
12 than the initial licensee to receive the organization gaming  
13 license is not subject to a surcharge. The Department shall  
14 adopt rules necessary to implement and administer this  
15 subsection.

16 (c) Personal Property Tax Replacement Income Tax.  
17 Beginning on July 1, 1979 and thereafter, in addition to such  
18 income tax, there is also hereby imposed the Personal Property  
19 Tax Replacement Income Tax measured by net income on every  
20 corporation (including Subchapter S corporations), partnership  
21 and trust, for each taxable year ending after June 30, 1979.  
22 Such taxes are imposed on the privilege of earning or  
23 receiving income in or as a resident of this State. The  
24 Personal Property Tax Replacement Income Tax shall be in  
25 addition to the income tax imposed by subsections (a) and (b)  
26 of this Section and in addition to all other occupation or

1 privilege taxes imposed by this State or by any municipal  
2 corporation or political subdivision thereof.

3 (d) Additional Personal Property Tax Replacement Income  
4 Tax Rates. The personal property tax replacement income tax  
5 imposed by this subsection and subsection (c) of this Section  
6 in the case of a corporation, other than a Subchapter S  
7 corporation and except as adjusted by subsection (d-1), shall  
8 be an additional amount equal to 2.85% of such taxpayer's net  
9 income for the taxable year, except that beginning on January  
10 1, 1981, and thereafter, the rate of 2.85% specified in this  
11 subsection shall be reduced to 2.5%, and in the case of a  
12 partnership, trust or a Subchapter S corporation shall be an  
13 additional amount equal to 1.5% of such taxpayer's net income  
14 for the taxable year.

15 (d-1) Rate reduction for certain foreign insurers. In the  
16 case of a foreign insurer, as defined by Section 35A-5 of the  
17 Illinois Insurance Code, whose state or country of domicile  
18 imposes on insurers domiciled in Illinois a retaliatory tax  
19 (excluding any insurer whose premiums from reinsurance assumed  
20 are 50% or more of its total insurance premiums as determined  
21 under paragraph (2) of subsection (b) of Section 304, except  
22 that for purposes of this determination premiums from  
23 reinsurance do not include premiums from inter-affiliate  
24 reinsurance arrangements), beginning with taxable years ending  
25 on or after December 31, 1999, the sum of the rates of tax  
26 imposed by subsections (b) and (d) shall be reduced (but not



1 increased) to the rate at which the total amount of tax imposed  
2 under this Act, net of all credits allowed under this Act,  
3 shall equal (i) the total amount of tax that would be imposed  
4 on the foreign insurer's net income allocable to Illinois for  
5 the taxable year by such foreign insurer's state or country of  
6 domicile if that net income were subject to all income taxes  
7 and taxes measured by net income imposed by such foreign  
8 insurer's state or country of domicile, net of all credits  
9 allowed or (ii) a rate of zero if no such tax is imposed on  
10 such income by the foreign insurer's state of domicile. For  
11 the purposes of this subsection (d-1), an inter-affiliate  
12 includes a mutual insurer under common management.

13 (1) For the purposes of subsection (d-1), in no event  
14 shall the sum of the rates of tax imposed by subsections  
15 (b) and (d) be reduced below the rate at which the sum of:

16 (A) the total amount of tax imposed on such  
17 foreign insurer under this Act for a taxable year, net  
18 of all credits allowed under this Act, plus

19 (B) the privilege tax imposed by Section 409 of  
20 the Illinois Insurance Code, the fire insurance  
21 company tax imposed by Section 12 of the Fire  
22 Investigation Act, and the fire department taxes  
23 imposed under Section 11-10-1 of the Illinois  
24 Municipal Code,

25 equals 1.25% for taxable years ending prior to December  
26 31, 2003, or 1.75% for taxable years ending on or after

1 December 31, 2003, of the net taxable premiums written for  
2 the taxable year, as described by subsection (1) of  
3 Section 409 of the Illinois Insurance Code. This paragraph  
4 will in no event increase the rates imposed under  
5 subsections (b) and (d).

6 (2) Any reduction in the rates of tax imposed by this  
7 subsection shall be applied first against the rates  
8 imposed by subsection (b) and only after the tax imposed  
9 by subsection (a) net of all credits allowed under this  
10 Section other than the credit allowed under subsection (i)  
11 has been reduced to zero, against the rates imposed by  
12 subsection (d).

13 This subsection (d-1) is exempt from the provisions of  
14 Section 250.

15 (e) Investment credit. A taxpayer shall be allowed a  
16 credit against the Personal Property Tax Replacement Income  
17 Tax for investment in qualified property.

18 (1) A taxpayer shall be allowed a credit equal to .5%  
19 of the basis of qualified property placed in service  
20 during the taxable year, provided such property is placed  
21 in service on or after July 1, 1984. There shall be allowed  
22 an additional credit equal to .5% of the basis of  
23 qualified property placed in service during the taxable  
24 year, provided such property is placed in service on or  
25 after July 1, 1986, and the taxpayer's base employment  
26 within Illinois has increased by 1% or more over the

1 preceding year as determined by the taxpayer's employment  
2 records filed with the Illinois Department of Employment  
3 Security. Taxpayers who are new to Illinois shall be  
4 deemed to have met the 1% growth in base employment for the  
5 first year in which they file employment records with the  
6 Illinois Department of Employment Security. The provisions  
7 added to this Section by Public Act 85-1200 (and restored  
8 by Public Act 87-895) shall be construed as declaratory of  
9 existing law and not as a new enactment. If, in any year,  
10 the increase in base employment within Illinois over the  
11 preceding year is less than 1%, the additional credit  
12 shall be limited to that percentage times a fraction, the  
13 numerator of which is .5% and the denominator of which is  
14 1%, but shall not exceed .5%. The investment credit shall  
15 not be allowed to the extent that it would reduce a  
16 taxpayer's liability in any tax year below zero, nor may  
17 any credit for qualified property be allowed for any year  
18 other than the year in which the property was placed in  
19 service in Illinois. For tax years ending on or after  
20 December 31, 1987, and on or before December 31, 1988, the  
21 credit shall be allowed for the tax year in which the  
22 property is placed in service, or, if the amount of the  
23 credit exceeds the tax liability for that year, whether it  
24 exceeds the original liability or the liability as later  
25 amended, such excess may be carried forward and applied to  
26 the tax liability of the 5 taxable years following the

1 excess credit years if the taxpayer (i) makes investments  
2 which cause the creation of a minimum of 2,000 full-time  
3 equivalent jobs in Illinois, (ii) is located in an  
4 enterprise zone established pursuant to the Illinois  
5 Enterprise Zone Act and (iii) is certified by the  
6 Department of Commerce and Community Affairs (now  
7 Department of Commerce and Economic Opportunity) as  
8 complying with the requirements specified in clause (i)  
9 and (ii) by July 1, 1986. The Department of Commerce and  
10 Community Affairs (now Department of Commerce and Economic  
11 Opportunity) shall notify the Department of Revenue of all  
12 such certifications immediately. For tax years ending  
13 after December 31, 1988, the credit shall be allowed for  
14 the tax year in which the property is placed in service,  
15 or, if the amount of the credit exceeds the tax liability  
16 for that year, whether it exceeds the original liability  
17 or the liability as later amended, such excess may be  
18 carried forward and applied to the tax liability of the 5  
19 taxable years following the excess credit years. The  
20 credit shall be applied to the earliest year for which  
21 there is a liability. If there is credit from more than one  
22 tax year that is available to offset a liability, earlier  
23 credit shall be applied first.

24 (2) The term "qualified property" means property  
25 which:

26 (A) is tangible, whether new or used, including

1 buildings and structural components of buildings and  
2 signs that are real property, but not including land  
3 or improvements to real property that are not a  
4 structural component of a building such as  
5 landscaping, sewer lines, local access roads, fencing,  
6 parking lots, and other appurtenances;

7 (B) is depreciable pursuant to Section 167 of the  
8 Internal Revenue Code, except that "3-year property"  
9 as defined in Section 168(c)(2)(A) of that Code is not  
10 eligible for the credit provided by this subsection  
11 (e);

12 (C) is acquired by purchase as defined in Section  
13 179(d) of the Internal Revenue Code;

14 (D) is used in Illinois by a taxpayer who is  
15 primarily engaged in manufacturing, or in mining coal  
16 or fluorite, or in retailing, or was placed in service  
17 on or after July 1, 2006 in a River Edge Redevelopment  
18 Zone established pursuant to the River Edge  
19 Redevelopment Zone Act; and

20 (E) has not previously been used in Illinois in  
21 such a manner and by such a person as would qualify for  
22 the credit provided by this subsection (e) or  
23 subsection (f).

24 (3) For purposes of this subsection (e),  
25 "manufacturing" means the material staging and production  
26 of tangible personal property by procedures commonly

1       regarded as manufacturing, processing, fabrication, or  
2       assembling which changes some existing material into new  
3       shapes, new qualities, or new combinations. For purposes  
4       of this subsection (e) the term "mining" shall have the  
5       same meaning as the term "mining" in Section 613(c) of the  
6       Internal Revenue Code. For purposes of this subsection  
7       (e), the term "retailing" means the sale of tangible  
8       personal property for use or consumption and not for  
9       resale, or services rendered in conjunction with the sale  
10      of tangible personal property for use or consumption and  
11      not for resale. For purposes of this subsection (e),  
12      "tangible personal property" has the same meaning as when  
13      that term is used in the Retailers' Occupation Tax Act,  
14      and, for taxable years ending after December 31, 2008,  
15      does not include the generation, transmission, or  
16      distribution of electricity.

17           (4) The basis of qualified property shall be the basis  
18      used to compute the depreciation deduction for federal  
19      income tax purposes.

20           (5) If the basis of the property for federal income  
21      tax depreciation purposes is increased after it has been  
22      placed in service in Illinois by the taxpayer, the amount  
23      of such increase shall be deemed property placed in  
24      service on the date of such increase in basis.

25           (6) The term "placed in service" shall have the same  
26      meaning as under Section 46 of the Internal Revenue Code.

1           (7) If during any taxable year, any property ceases to  
2 be qualified property in the hands of the taxpayer within  
3 48 months after being placed in service, or the situs of  
4 any qualified property is moved outside Illinois within 48  
5 months after being placed in service, the Personal  
6 Property Tax Replacement Income Tax for such taxable year  
7 shall be increased. Such increase shall be determined by  
8 (i) recomputing the investment credit which would have  
9 been allowed for the year in which credit for such  
10 property was originally allowed by eliminating such  
11 property from such computation and, (ii) subtracting such  
12 recomputed credit from the amount of credit previously  
13 allowed. For the purposes of this paragraph (7), a  
14 reduction of the basis of qualified property resulting  
15 from a redetermination of the purchase price shall be  
16 deemed a disposition of qualified property to the extent  
17 of such reduction.

18           (8) Unless the investment credit is extended by law,  
19 the basis of qualified property shall not include costs  
20 incurred after December 31, 2018, except for costs  
21 incurred pursuant to a binding contract entered into on or  
22 before December 31, 2018.

23           (9) Each taxable year ending before December 31, 2000,  
24 a partnership may elect to pass through to its partners  
25 the credits to which the partnership is entitled under  
26 this subsection (e) for the taxable year. A partner may

1 use the credit allocated to him or her under this  
2 paragraph only against the tax imposed in subsections (c)  
3 and (d) of this Section. If the partnership makes that  
4 election, those credits shall be allocated among the  
5 partners in the partnership in accordance with the rules  
6 set forth in Section 704(b) of the Internal Revenue Code,  
7 and the rules promulgated under that Section, and the  
8 allocated amount of the credits shall be allowed to the  
9 partners for that taxable year. The partnership shall make  
10 this election on its Personal Property Tax Replacement  
11 Income Tax return for that taxable year. The election to  
12 pass through the credits shall be irrevocable.

13 For taxable years ending on or after December 31,  
14 2000, a partner that qualifies its partnership for a  
15 subtraction under subparagraph (I) of paragraph (2) of  
16 subsection (d) of Section 203 or a shareholder that  
17 qualifies a Subchapter S corporation for a subtraction  
18 under subparagraph (S) of paragraph (2) of subsection (b)  
19 of Section 203 shall be allowed a credit under this  
20 subsection (e) equal to its share of the credit earned  
21 under this subsection (e) during the taxable year by the  
22 partnership or Subchapter S corporation, determined in  
23 accordance with the determination of income and  
24 distributive share of income under Sections 702 and 704  
25 and Subchapter S of the Internal Revenue Code. This  
26 paragraph is exempt from the provisions of Section 250.



1           (f) Investment credit; Enterprise Zone; River Edge  
2 Redevelopment Zone.

3           (1) A taxpayer shall be allowed a credit against the  
4 tax imposed by subsections (a) and (b) of this Section for  
5 investment in qualified property which is placed in  
6 service in an Enterprise Zone created pursuant to the  
7 Illinois Enterprise Zone Act or, for property placed in  
8 service on or after July 1, 2006, a River Edge  
9 Redevelopment Zone established pursuant to the River Edge  
10 Redevelopment Zone Act. For partners, shareholders of  
11 Subchapter S corporations, and owners of limited liability  
12 companies, if the liability company is treated as a  
13 partnership for purposes of federal and State income  
14 taxation, there shall be allowed a credit under this  
15 subsection (f) to be determined in accordance with the  
16 determination of income and distributive share of income  
17 under Sections 702 and 704 and Subchapter S of the  
18 Internal Revenue Code. The credit shall be .5% of the  
19 basis for such property. The credit shall be available  
20 only in the taxable year in which the property is placed in  
21 service in the Enterprise Zone or River Edge Redevelopment  
22 Zone and shall not be allowed to the extent that it would  
23 reduce a taxpayer's liability for the tax imposed by  
24 subsections (a) and (b) of this Section to below zero. For  
25 tax years ending on or after December 31, 1985, the credit  
26 shall be allowed for the tax year in which the property is

1 placed in service, or, if the amount of the credit exceeds  
2 the tax liability for that year, whether it exceeds the  
3 original liability or the liability as later amended, such  
4 excess may be carried forward and applied to the tax  
5 liability of the 5 taxable years following the excess  
6 credit year. The credit shall be applied to the earliest  
7 year for which there is a liability. If there is credit  
8 from more than one tax year that is available to offset a  
9 liability, the credit accruing first in time shall be  
10 applied first.

11 (2) The term qualified property means property which:

12 (A) is tangible, whether new or used, including  
13 buildings and structural components of buildings;

14 (B) is depreciable pursuant to Section 167 of the  
15 Internal Revenue Code, except that "3-year property"  
16 as defined in Section 168(c)(2)(A) of that Code is not  
17 eligible for the credit provided by this subsection  
18 (f);

19 (C) is acquired by purchase as defined in Section  
20 179(d) of the Internal Revenue Code;

21 (D) is used in the Enterprise Zone or River Edge  
22 Redevelopment Zone by the taxpayer; and

23 (E) has not been previously used in Illinois in  
24 such a manner and by such a person as would qualify for  
25 the credit provided by this subsection (f) or  
26 subsection (e).

1           (3) The basis of qualified property shall be the basis  
2 used to compute the depreciation deduction for federal  
3 income tax purposes.

4           (4) If the basis of the property for federal income  
5 tax depreciation purposes is increased after it has been  
6 placed in service in the Enterprise Zone or River Edge  
7 Redevelopment Zone by the taxpayer, the amount of such  
8 increase shall be deemed property placed in service on the  
9 date of such increase in basis.

10          (5) The term "placed in service" shall have the same  
11 meaning as under Section 46 of the Internal Revenue Code.

12          (6) If during any taxable year, any property ceases to  
13 be qualified property in the hands of the taxpayer within  
14 48 months after being placed in service, or the situs of  
15 any qualified property is moved outside the Enterprise  
16 Zone or River Edge Redevelopment Zone within 48 months  
17 after being placed in service, the tax imposed under  
18 subsections (a) and (b) of this Section for such taxable  
19 year shall be increased. Such increase shall be determined  
20 by (i) recomputing the investment credit which would have  
21 been allowed for the year in which credit for such  
22 property was originally allowed by eliminating such  
23 property from such computation, and (ii) subtracting such  
24 recomputed credit from the amount of credit previously  
25 allowed. For the purposes of this paragraph (6), a  
26 reduction of the basis of qualified property resulting

1 from a redetermination of the purchase price shall be  
2 deemed a disposition of qualified property to the extent  
3 of such reduction.

4 (7) There shall be allowed an additional credit equal  
5 to 0.5% of the basis of qualified property placed in  
6 service during the taxable year in a River Edge  
7 Redevelopment Zone, provided such property is placed in  
8 service on or after July 1, 2006, and the taxpayer's base  
9 employment within Illinois has increased by 1% or more  
10 over the preceding year as determined by the taxpayer's  
11 employment records filed with the Illinois Department of  
12 Employment Security. Taxpayers who are new to Illinois  
13 shall be deemed to have met the 1% growth in base  
14 employment for the first year in which they file  
15 employment records with the Illinois Department of  
16 Employment Security. If, in any year, the increase in base  
17 employment within Illinois over the preceding year is less  
18 than 1%, the additional credit shall be limited to that  
19 percentage times a fraction, the numerator of which is  
20 0.5% and the denominator of which is 1%, but shall not  
21 exceed 0.5%.

22 (8) For taxable years beginning on or after January 1,  
23 2021, there shall be allowed an Enterprise Zone  
24 construction jobs credit against the taxes imposed under  
25 subsections (a) and (b) of this Section as provided in  
26 Section 13 of the Illinois Enterprise Zone Act.

1           The credit or credits may not reduce the taxpayer's  
2           liability to less than zero. If the amount of the credit or  
3           credits exceeds the taxpayer's liability, the excess may  
4           be carried forward and applied against the taxpayer's  
5           liability in succeeding calendar years in the same manner  
6           provided under paragraph (4) of Section 211 of this Act.  
7           The credit or credits shall be applied to the earliest  
8           year for which there is a tax liability. If there are  
9           credits from more than one taxable year that are available  
10          to offset a liability, the earlier credit shall be applied  
11          first.

12          For partners, shareholders of Subchapter S  
13          corporations, and owners of limited liability companies,  
14          if the liability company is treated as a partnership for  
15          the purposes of federal and State income taxation, there  
16          shall be allowed a credit under this Section to be  
17          determined in accordance with the determination of income  
18          and distributive share of income under Sections 702 and  
19          704 and Subchapter S of the Internal Revenue Code.

20          The total aggregate amount of credits awarded under  
21          the Blue Collar Jobs Act (Article 20 of Public Act 101-9  
22          ~~this amendatory Act of the 101st General Assembly~~) shall  
23          not exceed \$20,000,000 in any State fiscal year.

24          This paragraph (8) is exempt from the provisions of  
25          Section 250.

26          (g) (Blank).

1 (h) Investment credit; High Impact Business.

2 (1) Subject to subsections (b) and (b-5) of Section  
3 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall  
4 be allowed a credit against the tax imposed by subsections  
5 (a) and (b) of this Section for investment in qualified  
6 property which is placed in service by a Department of  
7 Commerce and Economic Opportunity designated High Impact  
8 Business. The credit shall be .5% of the basis for such  
9 property. The credit shall not be available (i) until the  
10 minimum investments in qualified property set forth in  
11 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
12 Enterprise Zone Act have been satisfied or (ii) until the  
13 time authorized in subsection (b-5) of the Illinois  
14 Enterprise Zone Act for entities designated as High Impact  
15 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
16 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
17 Act, and shall not be allowed to the extent that it would  
18 reduce a taxpayer's liability for the tax imposed by  
19 subsections (a) and (b) of this Section to below zero. The  
20 credit applicable to such investments shall be taken in  
21 the taxable year in which such investments have been  
22 completed. The credit for additional investments beyond  
23 the minimum investment by a designated high impact  
24 business authorized under subdivision (a)(3)(A) of Section  
25 5.5 of the Illinois Enterprise Zone Act shall be available  
26 only in the taxable year in which the property is placed in

1 service and shall not be allowed to the extent that it  
2 would reduce a taxpayer's liability for the tax imposed by  
3 subsections (a) and (b) of this Section to below zero. For  
4 tax years ending on or after December 31, 1987, the credit  
5 shall be allowed for the tax year in which the property is  
6 placed in service, or, if the amount of the credit exceeds  
7 the tax liability for that year, whether it exceeds the  
8 original liability or the liability as later amended, such  
9 excess may be carried forward and applied to the tax  
10 liability of the 5 taxable years following the excess  
11 credit year. The credit shall be applied to the earliest  
12 year for which there is a liability. If there is credit  
13 from more than one tax year that is available to offset a  
14 liability, the credit accruing first in time shall be  
15 applied first.

16 Changes made in this subdivision (h) (1) by Public Act  
17 88-670 restore changes made by Public Act 85-1182 and  
18 reflect existing law.

19 (2) The term qualified property means property which:

20 (A) is tangible, whether new or used, including  
21 buildings and structural components of buildings;

22 (B) is depreciable pursuant to Section 167 of the  
23 Internal Revenue Code, except that "3-year property"  
24 as defined in Section 168(c) (2) (A) of that Code is not  
25 eligible for the credit provided by this subsection

26 (h);

1 (C) is acquired by purchase as defined in Section  
2 179(d) of the Internal Revenue Code; and

3 (D) is not eligible for the Enterprise Zone  
4 Investment Credit provided by subsection (f) of this  
5 Section.

6 (3) The basis of qualified property shall be the basis  
7 used to compute the depreciation deduction for federal  
8 income tax purposes.

9 (4) If the basis of the property for federal income  
10 tax depreciation purposes is increased after it has been  
11 placed in service in a federally designated Foreign Trade  
12 Zone or Sub-Zone located in Illinois by the taxpayer, the  
13 amount of such increase shall be deemed property placed in  
14 service on the date of such increase in basis.

15 (5) The term "placed in service" shall have the same  
16 meaning as under Section 46 of the Internal Revenue Code.

17 (6) If during any taxable year ending on or before  
18 December 31, 1996, any property ceases to be qualified  
19 property in the hands of the taxpayer within 48 months  
20 after being placed in service, or the situs of any  
21 qualified property is moved outside Illinois within 48  
22 months after being placed in service, the tax imposed  
23 under subsections (a) and (b) of this Section for such  
24 taxable year shall be increased. Such increase shall be  
25 determined by (i) recomputing the investment credit which  
26 would have been allowed for the year in which credit for



1 such property was originally allowed by eliminating such  
2 property from such computation, and (ii) subtracting such  
3 recomputed credit from the amount of credit previously  
4 allowed. For the purposes of this paragraph (6), a  
5 reduction of the basis of qualified property resulting  
6 from a redetermination of the purchase price shall be  
7 deemed a disposition of qualified property to the extent  
8 of such reduction.

9 (7) Beginning with tax years ending after December 31,  
10 1996, if a taxpayer qualifies for the credit under this  
11 subsection (h) and thereby is granted a tax abatement and  
12 the taxpayer relocates its entire facility in violation of  
13 the explicit terms and length of the contract under  
14 Section 18-183 of the Property Tax Code, the tax imposed  
15 under subsections (a) and (b) of this Section shall be  
16 increased for the taxable year in which the taxpayer  
17 relocated its facility by an amount equal to the amount of  
18 credit received by the taxpayer under this subsection (h).

19 (h-5) High Impact Business construction ~~constructions~~ jobs  
20 credit. For taxable years beginning on or after January 1,  
21 2021, there shall also be allowed a High Impact Business  
22 construction jobs credit against the tax imposed under  
23 subsections (a) and (b) of this Section as provided in  
24 subsections (i) and (j) of Section 5.5 of the Illinois  
25 Enterprise Zone Act.

26 The credit or credits may not reduce the taxpayer's

1 liability to less than zero. If the amount of the credit or  
2 credits exceeds the taxpayer's liability, the excess may be  
3 carried forward and applied against the taxpayer's liability  
4 in succeeding calendar years in the manner provided under  
5 paragraph (4) of Section 211 of this Act. The credit or credits  
6 shall be applied to the earliest year for which there is a tax  
7 liability. If there are credits from more than one taxable  
8 year that are available to offset a liability, the earlier  
9 credit shall be applied first.

10 For partners, shareholders of Subchapter S corporations,  
11 and owners of limited liability companies, if the liability  
12 company is treated as a partnership for the purposes of  
13 federal and State income taxation, there shall be allowed a  
14 credit under this Section to be determined in accordance with  
15 the determination of income and distributive share of income  
16 under Sections 702 and 704 and Subchapter S of the Internal  
17 Revenue Code.

18 The total aggregate amount of credits awarded under the  
19 Blue Collar Jobs Act (Article 20 of Public Act 101-9 ~~this~~  
20 ~~amendatory Act of the 101st General Assembly~~) shall not exceed  
21 \$20,000,000 in any State fiscal year.

22 This subsection (h-5) is exempt from the provisions of  
23 Section 250.

24 (i) Credit for Personal Property Tax Replacement Income  
25 Tax. For tax years ending prior to December 31, 2003, a credit  
26 shall be allowed against the tax imposed by subsections (a)

1 and (b) of this Section for the tax imposed by subsections (c)  
2 and (d) of this Section. This credit shall be computed by  
3 multiplying the tax imposed by subsections (c) and (d) of this  
4 Section by a fraction, the numerator of which is base income  
5 allocable to Illinois and the denominator of which is Illinois  
6 base income, and further multiplying the product by the tax  
7 rate imposed by subsections (a) and (b) of this Section.

8 Any credit earned on or after December 31, 1986 under this  
9 subsection which is unused in the year the credit is computed  
10 because it exceeds the tax liability imposed by subsections  
11 (a) and (b) for that year (whether it exceeds the original  
12 liability or the liability as later amended) may be carried  
13 forward and applied to the tax liability imposed by  
14 subsections (a) and (b) of the 5 taxable years following the  
15 excess credit year, provided that no credit may be carried  
16 forward to any year ending on or after December 31, 2003. This  
17 credit shall be applied first to the earliest year for which  
18 there is a liability. If there is a credit under this  
19 subsection from more than one tax year that is available to  
20 offset a liability the earliest credit arising under this  
21 subsection shall be applied first.

22 If, during any taxable year ending on or after December  
23 31, 1986, the tax imposed by subsections (c) and (d) of this  
24 Section for which a taxpayer has claimed a credit under this  
25 subsection (i) is reduced, the amount of credit for such tax  
26 shall also be reduced. Such reduction shall be determined by

1 recomputing the credit to take into account the reduced tax  
2 imposed by subsections (c) and (d). If any portion of the  
3 reduced amount of credit has been carried to a different  
4 taxable year, an amended return shall be filed for such  
5 taxable year to reduce the amount of credit claimed.

6 (j) Training expense credit. Beginning with tax years  
7 ending on or after December 31, 1986 and prior to December 31,  
8 2003, a taxpayer shall be allowed a credit against the tax  
9 imposed by subsections (a) and (b) under this Section for all  
10 amounts paid or accrued, on behalf of all persons employed by  
11 the taxpayer in Illinois or Illinois residents employed  
12 outside of Illinois by a taxpayer, for educational or  
13 vocational training in semi-technical or technical fields or  
14 semi-skilled or skilled fields, which were deducted from gross  
15 income in the computation of taxable income. The credit  
16 against the tax imposed by subsections (a) and (b) shall be  
17 1.6% of such training expenses. For partners, shareholders of  
18 subchapter S corporations, and owners of limited liability  
19 companies, if the liability company is treated as a  
20 partnership for purposes of federal and State income taxation,  
21 there shall be allowed a credit under this subsection (j) to be  
22 determined in accordance with the determination of income and  
23 distributive share of income under Sections 702 and 704 and  
24 subchapter S of the Internal Revenue Code.

25 Any credit allowed under this subsection which is unused  
26 in the year the credit is earned may be carried forward to each

1 of the 5 taxable years following the year for which the credit  
2 is first computed until it is used. This credit shall be  
3 applied first to the earliest year for which there is a  
4 liability. If there is a credit under this subsection from  
5 more than one tax year that is available to offset a liability,  
6 the earliest credit arising under this subsection shall be  
7 applied first. No carryforward credit may be claimed in any  
8 tax year ending on or after December 31, 2003.

9 (k) Research and development credit. For tax years ending  
10 after July 1, 1990 and prior to December 31, 2003, and  
11 beginning again for tax years ending on or after December 31,  
12 2004, and ending prior to January 1, 2027, a taxpayer shall be  
13 allowed a credit against the tax imposed by subsections (a)  
14 and (b) of this Section for increasing research activities in  
15 this State. The credit allowed against the tax imposed by  
16 subsections (a) and (b) shall be equal to 6 1/2% of the  
17 qualifying expenditures for increasing research activities in  
18 this State. For partners, shareholders of subchapter S  
19 corporations, and owners of limited liability companies, if  
20 the liability company is treated as a partnership for purposes  
21 of federal and State income taxation, there shall be allowed a  
22 credit under this subsection to be determined in accordance  
23 with the determination of income and distributive share of  
24 income under Sections 702 and 704 and subchapter S of the  
25 Internal Revenue Code.

26 For purposes of this subsection, "qualifying expenditures"

1 means the qualifying expenditures as defined for the federal  
2 credit for increasing research activities which would be  
3 allowable under Section 41 of the Internal Revenue Code and  
4 which are conducted in this State, "qualifying expenditures  
5 for increasing research activities in this State" means the  
6 excess of qualifying expenditures for the taxable year in  
7 which incurred over qualifying expenditures for the base  
8 period, "qualifying expenditures for the base period" means  
9 the average of the qualifying expenditures for each year in  
10 the base period, and "base period" means the 3 taxable years  
11 immediately preceding the taxable year for which the  
12 determination is being made.

13 Any credit in excess of the tax liability for the taxable  
14 year may be carried forward. A taxpayer may elect to have the  
15 unused credit shown on its final completed return carried over  
16 as a credit against the tax liability for the following 5  
17 taxable years or until it has been fully used, whichever  
18 occurs first; provided that no credit earned in a tax year  
19 ending prior to December 31, 2003 may be carried forward to any  
20 year ending on or after December 31, 2003.

21 If an unused credit is carried forward to a given year from  
22 2 or more earlier years, that credit arising in the earliest  
23 year will be applied first against the tax liability for the  
24 given year. If a tax liability for the given year still  
25 remains, the credit from the next earliest year will then be  
26 applied, and so on, until all credits have been used or no tax

1 liability for the given year remains. Any remaining unused  
2 credit or credits then will be carried forward to the next  
3 following year in which a tax liability is incurred, except  
4 that no credit can be carried forward to a year which is more  
5 than 5 years after the year in which the expense for which the  
6 credit is given was incurred.

7 No inference shall be drawn from Public Act 91-644 ~~this~~  
8 ~~amendatory Act of the 91st General Assembly~~ in construing this  
9 Section for taxable years beginning before January 1, 1999.

10 It is the intent of the General Assembly that the research  
11 and development credit under this subsection (k) shall apply  
12 continuously for all tax years ending on or after December 31,  
13 2004 and ending prior to January 1, 2027, including, but not  
14 limited to, the period beginning on January 1, 2016 and ending  
15 on July 6, 2017 (the effective date of Public Act 100-22) ~~this~~  
16 ~~amendatory Act of the 100th General Assembly~~. All actions  
17 taken in reliance on the continuation of the credit under this  
18 subsection (k) by any taxpayer are hereby validated.

19 (l) Environmental Remediation Tax Credit.

20 (i) For tax years ending after December 31, 1997 and  
21 on or before December 31, 2001, a taxpayer shall be  
22 allowed a credit against the tax imposed by subsections  
23 (a) and (b) of this Section for certain amounts paid for  
24 unreimbursed eligible remediation costs, as specified in  
25 this subsection. For purposes of this Section,  
26 "unreimbursed eligible remediation costs" means costs

1 approved by the Illinois Environmental Protection Agency  
2 ("Agency") under Section 58.14 of the Environmental  
3 Protection Act that were paid in performing environmental  
4 remediation at a site for which a No Further Remediation  
5 Letter was issued by the Agency and recorded under Section  
6 58.10 of the Environmental Protection Act. The credit must  
7 be claimed for the taxable year in which Agency approval  
8 of the eligible remediation costs is granted. The credit  
9 is not available to any taxpayer if the taxpayer or any  
10 related party caused or contributed to, in any material  
11 respect, a release of regulated substances on, in, or  
12 under the site that was identified and addressed by the  
13 remedial action pursuant to the Site Remediation Program  
14 of the Environmental Protection Act. After the Pollution  
15 Control Board rules are adopted pursuant to the Illinois  
16 Administrative Procedure Act for the administration and  
17 enforcement of Section 58.9 of the Environmental  
18 Protection Act, determinations as to credit availability  
19 for purposes of this Section shall be made consistent with  
20 those rules. For purposes of this Section, "taxpayer"  
21 includes a person whose tax attributes the taxpayer has  
22 succeeded to under Section 381 of the Internal Revenue  
23 Code and "related party" includes the persons disallowed a  
24 deduction for losses by paragraphs (b), (c), and (f)(1) of  
25 Section 267 of the Internal Revenue Code by virtue of  
26 being a related taxpayer, as well as any of its partners.



1           The credit allowed against the tax imposed by subsections  
2           (a) and (b) shall be equal to 25% of the unreimbursed  
3           eligible remediation costs in excess of \$100,000 per site,  
4           except that the \$100,000 threshold shall not apply to any  
5           site contained in an enterprise zone as determined by the  
6           Department of Commerce and Community Affairs (now  
7           Department of Commerce and Economic Opportunity). The  
8           total credit allowed shall not exceed \$40,000 per year  
9           with a maximum total of \$150,000 per site. For partners  
10          and shareholders of subchapter S corporations, there shall  
11          be allowed a credit under this subsection to be determined  
12          in accordance with the determination of income and  
13          distributive share of income under Sections 702 and 704  
14          and subchapter S of the Internal Revenue Code.

15           (ii) A credit allowed under this subsection that is  
16          unused in the year the credit is earned may be carried  
17          forward to each of the 5 taxable years following the year  
18          for which the credit is first earned until it is used. The  
19          term "unused credit" does not include any amounts of  
20          unreimbursed eligible remediation costs in excess of the  
21          maximum credit per site authorized under paragraph (i).  
22          This credit shall be applied first to the earliest year  
23          for which there is a liability. If there is a credit under  
24          this subsection from more than one tax year that is  
25          available to offset a liability, the earliest credit  
26          arising under this subsection shall be applied first. A

1 credit allowed under this subsection may be sold to a  
2 buyer as part of a sale of all or part of the remediation  
3 site for which the credit was granted. The purchaser of a  
4 remediation site and the tax credit shall succeed to the  
5 unused credit and remaining carry-forward period of the  
6 seller. To perfect the transfer, the assignor shall record  
7 the transfer in the chain of title for the site and provide  
8 written notice to the Director of the Illinois Department  
9 of Revenue of the assignor's intent to sell the  
10 remediation site and the amount of the tax credit to be  
11 transferred as a portion of the sale. In no event may a  
12 credit be transferred to any taxpayer if the taxpayer or a  
13 related party would not be eligible under the provisions  
14 of subsection (i).

15 (iii) For purposes of this Section, the term "site"  
16 shall have the same meaning as under Section 58.2 of the  
17 Environmental Protection Act.

18 (m) Education expense credit. Beginning with tax years  
19 ending after December 31, 1999, a taxpayer who is the  
20 custodian of one or more qualifying pupils shall be allowed a  
21 credit against the tax imposed by subsections (a) and (b) of  
22 this Section for qualified education expenses incurred on  
23 behalf of the qualifying pupils. The credit shall be equal to  
24 25% of qualified education expenses, but in no event may the  
25 total credit under this subsection claimed by a family that is  
26 the custodian of qualifying pupils exceed (i) \$500 for tax

1 years ending prior to December 31, 2017, and (ii) \$750 for tax  
2 years ending on or after December 31, 2017. In no event shall a  
3 credit under this subsection reduce the taxpayer's liability  
4 under this Act to less than zero. Notwithstanding any other  
5 provision of law, for taxable years beginning on or after  
6 January 1, 2017, no taxpayer may claim a credit under this  
7 subsection (m) if the taxpayer's adjusted gross income for the  
8 taxable year exceeds (i) \$500,000, in the case of spouses  
9 filing a joint federal tax return or (ii) \$250,000, in the case  
10 of all other taxpayers. This subsection is exempt from the  
11 provisions of Section 250 of this Act.

12 For purposes of this subsection:

13 "Qualifying pupils" means individuals who (i) are  
14 residents of the State of Illinois, (ii) are under the age of  
15 21 at the close of the school year for which a credit is  
16 sought, and (iii) during the school year for which a credit is  
17 sought were full-time pupils enrolled in a kindergarten  
18 through twelfth grade education program at any school, as  
19 defined in this subsection.

20 "Qualified education expense" means the amount incurred on  
21 behalf of a qualifying pupil in excess of \$250 for tuition,  
22 book fees, and lab fees at the school in which the pupil is  
23 enrolled during the regular school year.

24 "School" means any public or nonpublic elementary or  
25 secondary school in Illinois that is in compliance with Title  
26 VI of the Civil Rights Act of 1964 and attendance at which

1 satisfies the requirements of Section 26-1 of the School Code,  
2 except that nothing shall be construed to require a child to  
3 attend any particular public or nonpublic school to qualify  
4 for the credit under this Section.

5 "Custodian" means, with respect to qualifying pupils, an  
6 Illinois resident who is a parent, the parents, a legal  
7 guardian, or the legal guardians of the qualifying pupils.

8 (n) River Edge Redevelopment Zone site remediation tax  
9 credit.

10 (i) For tax years ending on or after December 31,  
11 2006, a taxpayer shall be allowed a credit against the tax  
12 imposed by subsections (a) and (b) of this Section for  
13 certain amounts paid for unreimbursed eligible remediation  
14 costs, as specified in this subsection. For purposes of  
15 this Section, "unreimbursed eligible remediation costs"  
16 means costs approved by the Illinois Environmental  
17 Protection Agency ("Agency") under Section 58.14a of the  
18 Environmental Protection Act that were paid in performing  
19 environmental remediation at a site within a River Edge  
20 Redevelopment Zone for which a No Further Remediation  
21 Letter was issued by the Agency and recorded under Section  
22 58.10 of the Environmental Protection Act. The credit must  
23 be claimed for the taxable year in which Agency approval  
24 of the eligible remediation costs is granted. The credit  
25 is not available to any taxpayer if the taxpayer or any  
26 related party caused or contributed to, in any material

1        respect, a release of regulated substances on, in, or  
2        under the site that was identified and addressed by the  
3        remedial action pursuant to the Site Remediation Program  
4        of the Environmental Protection Act. Determinations as to  
5        credit availability for purposes of this Section shall be  
6        made consistent with rules adopted by the Pollution  
7        Control Board pursuant to the Illinois Administrative  
8        Procedure Act for the administration and enforcement of  
9        Section 58.9 of the Environmental Protection Act. For  
10       purposes of this Section, "taxpayer" includes a person  
11       whose tax attributes the taxpayer has succeeded to under  
12       Section 381 of the Internal Revenue Code and "related  
13       party" includes the persons disallowed a deduction for  
14       losses by paragraphs (b), (c), and (f)(1) of Section 267  
15       of the Internal Revenue Code by virtue of being a related  
16       taxpayer, as well as any of its partners. The credit  
17       allowed against the tax imposed by subsections (a) and (b)  
18       shall be equal to 25% of the unreimbursed eligible  
19       remediation costs in excess of \$100,000 per site.

20       (ii) A credit allowed under this subsection that is  
21       unused in the year the credit is earned may be carried  
22       forward to each of the 5 taxable years following the year  
23       for which the credit is first earned until it is used. This  
24       credit shall be applied first to the earliest year for  
25       which there is a liability. If there is a credit under this  
26       subsection from more than one tax year that is available

1 to offset a liability, the earliest credit arising under  
2 this subsection shall be applied first. A credit allowed  
3 under this subsection may be sold to a buyer as part of a  
4 sale of all or part of the remediation site for which the  
5 credit was granted. The purchaser of a remediation site  
6 and the tax credit shall succeed to the unused credit and  
7 remaining carry-forward period of the seller. To perfect  
8 the transfer, the assignor shall record the transfer in  
9 the chain of title for the site and provide written notice  
10 to the Director of the Illinois Department of Revenue of  
11 the assignor's intent to sell the remediation site and the  
12 amount of the tax credit to be transferred as a portion of  
13 the sale. In no event may a credit be transferred to any  
14 taxpayer if the taxpayer or a related party would not be  
15 eligible under the provisions of subsection (i).

16 (iii) For purposes of this Section, the term "site"  
17 shall have the same meaning as under Section 58.2 of the  
18 Environmental Protection Act.

19 (o) For each of taxable years during the Compassionate Use  
20 of Medical Cannabis Program, a surcharge is imposed on all  
21 taxpayers on income arising from the sale or exchange of  
22 capital assets, depreciable business property, real property  
23 used in the trade or business, and Section 197 intangibles of  
24 an organization registrant under the Compassionate Use of  
25 Medical Cannabis Program Act. The amount of the surcharge is  
26 equal to the amount of federal income tax liability for the

1 taxable year attributable to those sales and exchanges. The  
2 surcharge imposed does not apply if:

3 (1) the medical cannabis cultivation center  
4 registration, medical cannabis dispensary registration, or  
5 the property of a registration is transferred as a result  
6 of any of the following:

7 (A) bankruptcy, a receivership, or a debt  
8 adjustment initiated by or against the initial  
9 registration or the substantial owners of the initial  
10 registration;

11 (B) cancellation, revocation, or termination of  
12 any registration by the Illinois Department of Public  
13 Health;

14 (C) a determination by the Illinois Department of  
15 Public Health that transfer of the registration is in  
16 the best interests of Illinois qualifying patients as  
17 defined by the Compassionate Use of Medical Cannabis  
18 Program Act;

19 (D) the death of an owner of the equity interest in  
20 a registrant;

21 (E) the acquisition of a controlling interest in  
22 the stock or substantially all of the assets of a  
23 publicly traded company;

24 (F) a transfer by a parent company to a wholly  
25 owned subsidiary; or

26 (G) the transfer or sale to or by one person to

1 another person where both persons were initial owners  
2 of the registration when the registration was issued;  
3 or

4 (2) the cannabis cultivation center registration,  
5 medical cannabis dispensary registration, or the  
6 controlling interest in a registrant's property is  
7 transferred in a transaction to lineal descendants in  
8 which no gain or loss is recognized or as a result of a  
9 transaction in accordance with Section 351 of the Internal  
10 Revenue Code in which no gain or loss is recognized.

11 (p) Pass-through entity tax.

12 (1) For taxable years ending on or after December 31,  
13 2021 and beginning prior to January 1, 2026, a partnership  
14 (other than a publicly traded partnership under Section  
15 7704 of the Internal Revenue Code) or Subchapter S  
16 corporation may elect to apply the provisions of this  
17 subsection. A separate election shall be made for each  
18 taxable year. Such election shall be made at such time,  
19 and in such form and manner as prescribed by the  
20 Department, and, once made, is irrevocable.

21 (2) Entity-level tax. A partnership or Subchapter S  
22 corporation electing to apply the provisions of this  
23 subsection shall be subject to a tax for the privilege of  
24 earning or receiving income in this State in an amount  
25 equal to 4.95% of the taxpayer's net income for the  
26 taxable year.



1           (3) Net income defined.

2           (A) In general. For purposes of paragraph (2), the  
3 term net income has the same meaning as defined in  
4 Section 202 of this Act, except that the following  
5 provisions shall not apply:

6                   (i) the standard exemption allowed under  
7 Section 204;

8                   (ii) the deduction for net losses allowed  
9 under Section 207;

10                   (iii) in the case of an S corporation, the  
11 modification under Section 203(b) (2) (S); and

12                   (iv) in the case of a partnership, the  
13 modifications under Section 203(d) (2) (H) and  
14 Section 203(d) (2) (I).

15           (B) Special rule for tiered partnerships. If a  
16 taxpayer making the election under paragraph (1) is a  
17 partner of another taxpayer making the election under  
18 paragraph (1), net income shall be computed as  
19 provided in subparagraph (A), except that the taxpayer  
20 shall subtract its distributive share of the net  
21 income of the electing partnership (including its  
22 distributive share of the net income of the electing  
23 partnership derived as a distributive share from  
24 electing partnerships in which it is a partner).

25           (4) Credit for entity level tax. Each partner or  
26 shareholder of a taxpayer making the election under this

1 Section shall be allowed a credit against the tax imposed  
2 under subsections (a) and (b) of Section 201 of this Act  
3 for the taxable year of the partnership or Subchapter S  
4 corporation for which an election is in effect ending  
5 within or with the taxable year of the partner or  
6 shareholder in an amount equal to 4.95% times the partner  
7 or shareholder's distributive share of the net income of  
8 the electing partnership or Subchapter S corporation, but  
9 not to exceed the partner's or shareholder's share of the  
10 tax imposed under paragraph (1) which is actually paid by  
11 the partnership or Subchapter S corporation. If the  
12 taxpayer is a partnership or Subchapter S corporation that  
13 is itself a partner of a partnership making the election  
14 under paragraph (1), the credit under this paragraph shall  
15 be allowed to the taxpayer's partners or shareholders (or  
16 if the partner is a partnership or Subchapter S  
17 corporation then its partners or shareholders) in  
18 accordance with the determination of income and  
19 distributive share of income under Sections 702 and 704  
20 and Subchapter S of the Internal Revenue Code. If the  
21 amount of the credit allowed under this paragraph exceeds  
22 the partner's or shareholder's liability for tax imposed  
23 under subsections (a) and (b) of Section 201 of this Act  
24 for the taxable year, such excess shall be treated as an  
25 overpayment for purposes of Section 909 of this Act.

26 (5) Nonresidents. A nonresident individual who is a

1 partner or shareholder of a partnership or Subchapter S  
2 corporation for a taxable year for which an election is in  
3 effect under paragraph (1) shall not be required to file  
4 an income tax return under this Act for such taxable year  
5 if the only source of net income of the individual (or the  
6 individual and the individual's spouse in the case of a  
7 joint return) is from an entity making the election under  
8 paragraph (1) and the credit allowed to the partner or  
9 shareholder under paragraph (4) equals or exceeds the  
10 individual's liability for the tax imposed under  
11 subsections (a) and (b) of Section 201 of this Act for the  
12 taxable year.

13 (6) Liability for tax. Except as provided in this  
14 paragraph, a partnership or Subchapter S making the  
15 election under paragraph (1) is liable for the  
16 entity-level tax imposed under paragraph (2). If the  
17 electing partnership or corporation fails to pay the full  
18 amount of tax deemed assessed under paragraph (2), the  
19 partners or shareholders shall be liable to pay the tax  
20 assessed (including penalties and interest). Each partner  
21 or shareholder shall be liable for the unpaid assessment  
22 based on the ratio of the partner's or shareholder's share  
23 of the net income of the partnership over the total net  
24 income of the partnership. If the partnership or  
25 Subchapter S corporation fails to pay the tax assessed  
26 (including penalties and interest) and thereafter an

1 amount of such tax is paid by the partners or  
2 shareholders, such amount shall not be collected from the  
3 partnership or corporation.

4 (7) Foreign tax. For purposes of the credit allowed  
5 under Section 601(b)(3) of this Act, tax paid by a  
6 partnership or Subchapter S corporation to another state  
7 which, as determined by the Department, is substantially  
8 similar to the tax imposed under this subsection, shall be  
9 considered tax paid by the partner or shareholder to the  
10 extent that the partner's or shareholder's share of the  
11 income of the partnership or Subchapter S corporation  
12 allocated and apportioned to such other state bears to the  
13 total income of the partnership or Subchapter S  
14 corporation allocated or apportioned to such other state.

15 (8) Suspension of withholding. The provisions of  
16 Section 709.5 of this Act shall not apply to a partnership  
17 or Subchapter S corporation for the taxable year for which  
18 an election under paragraph (1) is in effect.

19 (9) Requirement to pay estimated tax. For each taxable  
20 year for which an election under paragraph (1) is in  
21 effect, a partnership or Subchapter S corporation is  
22 required to pay estimated tax for such taxable year under  
23 Sections 803 and 804 of this Act if the amount payable as  
24 estimated tax can reasonably be expected to exceed \$500.

25 (10) The provisions of this subsection shall apply  
26 only with respect to taxable years for which the

1       limitation on individual deductions applies under Section  
2       164(b)(6) of the Internal Revenue Code.

3       (Source: P.A. 100-22, eff. 7-6-17; 101-9, eff. 6-5-19; 101-31,  
4       eff. 6-28-19; 101-207, eff. 8-2-19; 101-363, eff. 8-9-19;  
5       revised 11-18-20.)

6             (Text of Section with the changes made by P.A. 101-8,  
7       which did not take effect (see Section 99 of P.A. 101-8))

8             Sec. 201. Tax imposed.

9             (a) In general. A tax measured by net income is hereby  
10       imposed on every individual, corporation, trust and estate for  
11       each taxable year ending after July 31, 1969 on the privilege  
12       of earning or receiving income in or as a resident of this  
13       State. Such tax shall be in addition to all other occupation or  
14       privilege taxes imposed by this State or by any municipal  
15       corporation or political subdivision thereof.

16            (b) Rates. The tax imposed by subsection (a) of this  
17       Section shall be determined as follows, except as adjusted by  
18       subsection (d-1):

19            (1) In the case of an individual, trust or estate, for  
20       taxable years ending prior to July 1, 1989, an amount  
21       equal to 2 1/2% of the taxpayer's net income for the  
22       taxable year.

23            (2) In the case of an individual, trust or estate, for  
24       taxable years beginning prior to July 1, 1989 and ending  
25       after June 30, 1989, an amount equal to the sum of (i) 2

1           1/2% of the taxpayer's net income for the period prior to  
2           July 1, 1989, as calculated under Section 202.3, and (ii)  
3           3% of the taxpayer's net income for the period after June  
4           30, 1989, as calculated under Section 202.3.

5           (3) In the case of an individual, trust or estate, for  
6           taxable years beginning after June 30, 1989, and ending  
7           prior to January 1, 2011, an amount equal to 3% of the  
8           taxpayer's net income for the taxable year.

9           (4) In the case of an individual, trust, or estate,  
10          for taxable years beginning prior to January 1, 2011, and  
11          ending after December 31, 2010, an amount equal to the sum  
12          of (i) 3% of the taxpayer's net income for the period prior  
13          to January 1, 2011, as calculated under Section 202.5, and  
14          (ii) 5% of the taxpayer's net income for the period after  
15          December 31, 2010, as calculated under Section 202.5.

16          (5) In the case of an individual, trust, or estate,  
17          for taxable years beginning on or after January 1, 2011,  
18          and ending prior to January 1, 2015, an amount equal to 5%  
19          of the taxpayer's net income for the taxable year.

20          (5.1) In the case of an individual, trust, or estate,  
21          for taxable years beginning prior to January 1, 2015, and  
22          ending after December 31, 2014, an amount equal to the sum  
23          of (i) 5% of the taxpayer's net income for the period prior  
24          to January 1, 2015, as calculated under Section 202.5, and  
25          (ii) 3.75% of the taxpayer's net income for the period  
26          after December 31, 2014, as calculated under Section

1 202.5.

2 (5.2) In the case of an individual, trust, or estate,  
3 for taxable years beginning on or after January 1, 2015,  
4 and ending prior to July 1, 2017, an amount equal to 3.75%  
5 of the taxpayer's net income for the taxable year.

6 (5.3) In the case of an individual, trust, or estate,  
7 for taxable years beginning prior to July 1, 2017, and  
8 ending after June 30, 2017, an amount equal to the sum of  
9 (i) 3.75% of the taxpayer's net income for the period  
10 prior to July 1, 2017, as calculated under Section 202.5,  
11 and (ii) 4.95% of the taxpayer's net income for the period  
12 after June 30, 2017, as calculated under Section 202.5.

13 (5.4) In the case of an individual, trust, or estate,  
14 for taxable years beginning on or after July 1, 2017 ~~and~~  
15 ~~beginning prior to January 1, 2021,~~ an amount equal to  
16 4.95% of the taxpayer's net income for the taxable year.

17 ~~(5.5) In the case of an individual, trust, or estate,~~  
18 ~~for taxable years beginning on or after January 1, 2021,~~  
19 ~~an amount calculated under the rate structure set forth in~~  
20 ~~Section 201.1.~~

21 (6) In the case of a corporation, for taxable years  
22 ending prior to July 1, 1989, an amount equal to 4% of the  
23 taxpayer's net income for the taxable year.

24 (7) In the case of a corporation, for taxable years  
25 beginning prior to July 1, 1989 and ending after June 30,  
26 1989, an amount equal to the sum of (i) 4% of the

1 taxpayer's net income for the period prior to July 1,  
2 1989, as calculated under Section 202.3, and (ii) 4.8% of  
3 the taxpayer's net income for the period after June 30,  
4 1989, as calculated under Section 202.3.

5 (8) In the case of a corporation, for taxable years  
6 beginning after June 30, 1989, and ending prior to January  
7 1, 2011, an amount equal to 4.8% of the taxpayer's net  
8 income for the taxable year.

9 (9) In the case of a corporation, for taxable years  
10 beginning prior to January 1, 2011, and ending after  
11 December 31, 2010, an amount equal to the sum of (i) 4.8%  
12 of the taxpayer's net income for the period prior to  
13 January 1, 2011, as calculated under Section 202.5, and  
14 (ii) 7% of the taxpayer's net income for the period after  
15 December 31, 2010, as calculated under Section 202.5.

16 (10) In the case of a corporation, for taxable years  
17 beginning on or after January 1, 2011, and ending prior to  
18 January 1, 2015, an amount equal to 7% of the taxpayer's  
19 net income for the taxable year.

20 (11) In the case of a corporation, for taxable years  
21 beginning prior to January 1, 2015, and ending after  
22 December 31, 2014, an amount equal to the sum of (i) 7% of  
23 the taxpayer's net income for the period prior to January  
24 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
25 of the taxpayer's net income for the period after December  
26 31, 2014, as calculated under Section 202.5.



1           (12) In the case of a corporation, for taxable years  
2 beginning on or after January 1, 2015, and ending prior to  
3 July 1, 2017, an amount equal to 5.25% of the taxpayer's  
4 net income for the taxable year.

5           (13) In the case of a corporation, for taxable years  
6 beginning prior to July 1, 2017, and ending after June 30,  
7 2017, an amount equal to the sum of (i) 5.25% of the  
8 taxpayer's net income for the period prior to July 1,  
9 2017, as calculated under Section 202.5, and (ii) 7% of  
10 the taxpayer's net income for the period after June 30,  
11 2017, as calculated under Section 202.5.

12           (14) In the case of a corporation, for taxable years  
13 beginning on or after July 1, 2017 ~~and beginning prior to~~  
14 ~~January 1, 2021~~, an amount equal to 7% of the taxpayer's  
15 net income for the taxable year.

16           ~~(15) In the case of a corporation, for taxable years~~  
17 ~~beginning on or after January 1, 2021, an amount equal to~~  
18 ~~7.99% of the taxpayer's net income for the taxable year.~~

19           The rates under this subsection (b) are subject to the  
20 provisions of Section 201.5.

21           (b-5) Surcharge; sale or exchange of assets, properties,  
22 and intangibles of organization gaming licensees. For each of  
23 taxable years 2019 through 2027, a surcharge is imposed on all  
24 taxpayers on income arising from the sale or exchange of  
25 capital assets, depreciable business property, real property  
26 used in the trade or business, and Section 197 intangibles (i)

1 of an organization licensee under the Illinois Horse Racing  
2 Act of 1975 and (ii) of an organization gaming licensee under  
3 the Illinois Gambling Act. The amount of the surcharge is  
4 equal to the amount of federal income tax liability for the  
5 taxable year attributable to those sales and exchanges. The  
6 surcharge imposed shall not apply if:

7 (1) the organization gaming license, organization  
8 license, or racetrack property is transferred as a result  
9 of any of the following:

10 (A) bankruptcy, a receivership, or a debt  
11 adjustment initiated by or against the initial  
12 licensee or the substantial owners of the initial  
13 licensee;

14 (B) cancellation, revocation, or termination of  
15 any such license by the Illinois Gaming Board or the  
16 Illinois Racing Board;

17 (C) a determination by the Illinois Gaming Board  
18 that transfer of the license is in the best interests  
19 of Illinois gaming;

20 (D) the death of an owner of the equity interest in  
21 a licensee;

22 (E) the acquisition of a controlling interest in  
23 the stock or substantially all of the assets of a  
24 publicly traded company;

25 (F) a transfer by a parent company to a wholly  
26 owned subsidiary; or

1           (G) the transfer or sale to or by one person to  
2           another person where both persons were initial owners  
3           of the license when the license was issued; or

4           (2) the controlling interest in the organization  
5           gaming license, organization license, or racetrack  
6           property is transferred in a transaction to lineal  
7           descendants in which no gain or loss is recognized or as a  
8           result of a transaction in accordance with Section 351 of  
9           the Internal Revenue Code in which no gain or loss is  
10          recognized; or

11          (3) live horse racing was not conducted in 2010 at a  
12          racetrack located within 3 miles of the Mississippi River  
13          under a license issued pursuant to the Illinois Horse  
14          Racing Act of 1975.

15          The transfer of an organization gaming license,  
16          organization license, or racetrack property by a person other  
17          than the initial licensee to receive the organization gaming  
18          license is not subject to a surcharge. The Department shall  
19          adopt rules necessary to implement and administer this  
20          subsection.

21          (c) Personal Property Tax Replacement Income Tax.  
22          Beginning on July 1, 1979 and thereafter, in addition to such  
23          income tax, there is also hereby imposed the Personal Property  
24          Tax Replacement Income Tax measured by net income on every  
25          corporation (including Subchapter S corporations), partnership  
26          and trust, for each taxable year ending after June 30, 1979.

1 Such taxes are imposed on the privilege of earning or  
2 receiving income in or as a resident of this State. The  
3 Personal Property Tax Replacement Income Tax shall be in  
4 addition to the income tax imposed by subsections (a) and (b)  
5 of this Section and in addition to all other occupation or  
6 privilege taxes imposed by this State or by any municipal  
7 corporation or political subdivision thereof.

8 (d) Additional Personal Property Tax Replacement Income  
9 Tax Rates. The personal property tax replacement income tax  
10 imposed by this subsection and subsection (c) of this Section  
11 in the case of a corporation, other than a Subchapter S  
12 corporation and except as adjusted by subsection (d-1), shall  
13 be an additional amount equal to 2.85% of such taxpayer's net  
14 income for the taxable year, except that beginning on January  
15 1, 1981, and thereafter, the rate of 2.85% specified in this  
16 subsection shall be reduced to 2.5%, and in the case of a  
17 partnership, trust or a Subchapter S corporation shall be an  
18 additional amount equal to 1.5% of such taxpayer's net income  
19 for the taxable year.

20 (d-1) Rate reduction for certain foreign insurers. In the  
21 case of a foreign insurer, as defined by Section 35A-5 of the  
22 Illinois Insurance Code, whose state or country of domicile  
23 imposes on insurers domiciled in Illinois a retaliatory tax  
24 (excluding any insurer whose premiums from reinsurance assumed  
25 are 50% or more of its total insurance premiums as determined  
26 under paragraph (2) of subsection (b) of Section 304, except

1 that for purposes of this determination premiums from  
2 reinsurance do not include premiums from inter-affiliate  
3 reinsurance arrangements), beginning with taxable years ending  
4 on or after December 31, 1999, the sum of the rates of tax  
5 imposed by subsections (b) and (d) shall be reduced (but not  
6 increased) to the rate at which the total amount of tax imposed  
7 under this Act, net of all credits allowed under this Act,  
8 shall equal (i) the total amount of tax that would be imposed  
9 on the foreign insurer's net income allocable to Illinois for  
10 the taxable year by such foreign insurer's state or country of  
11 domicile if that net income were subject to all income taxes  
12 and taxes measured by net income imposed by such foreign  
13 insurer's state or country of domicile, net of all credits  
14 allowed or (ii) a rate of zero if no such tax is imposed on  
15 such income by the foreign insurer's state of domicile. For  
16 the purposes of this subsection (d-1), an inter-affiliate  
17 includes a mutual insurer under common management.

18 (1) For the purposes of subsection (d-1), in no event  
19 shall the sum of the rates of tax imposed by subsections  
20 (b) and (d) be reduced below the rate at which the sum of:

21 (A) the total amount of tax imposed on such  
22 foreign insurer under this Act for a taxable year, net  
23 of all credits allowed under this Act, plus

24 (B) the privilege tax imposed by Section 409 of  
25 the Illinois Insurance Code, the fire insurance  
26 company tax imposed by Section 12 of the Fire

1           Investigation Act, and the fire department taxes  
2           imposed under Section 11-10-1 of the Illinois  
3           Municipal Code,  
4           equals 1.25% for taxable years ending prior to December  
5           31, 2003, or 1.75% for taxable years ending on or after  
6           December 31, 2003, of the net taxable premiums written for  
7           the taxable year, as described by subsection (1) of  
8           Section 409 of the Illinois Insurance Code. This paragraph  
9           will in no event increase the rates imposed under  
10          subsections (b) and (d).

11          (2) Any reduction in the rates of tax imposed by this  
12          subsection shall be applied first against the rates  
13          imposed by subsection (b) and only after the tax imposed  
14          by subsection (a) net of all credits allowed under this  
15          Section other than the credit allowed under subsection (i)  
16          has been reduced to zero, against the rates imposed by  
17          subsection (d).

18          This subsection (d-1) is exempt from the provisions of  
19          Section 250.

20          (e) Investment credit. A taxpayer shall be allowed a  
21          credit against the Personal Property Tax Replacement Income  
22          Tax for investment in qualified property.

23          (1) A taxpayer shall be allowed a credit equal to .5%  
24          of the basis of qualified property placed in service  
25          during the taxable year, provided such property is placed  
26          in service on or after July 1, 1984. There shall be allowed

1 an additional credit equal to .5% of the basis of  
2 qualified property placed in service during the taxable  
3 year, provided such property is placed in service on or  
4 after July 1, 1986, and the taxpayer's base employment  
5 within Illinois has increased by 1% or more over the  
6 preceding year as determined by the taxpayer's employment  
7 records filed with the Illinois Department of Employment  
8 Security. Taxpayers who are new to Illinois shall be  
9 deemed to have met the 1% growth in base employment for the  
10 first year in which they file employment records with the  
11 Illinois Department of Employment Security. The provisions  
12 added to this Section by Public Act 85-1200 (and restored  
13 by Public Act 87-895) shall be construed as declaratory of  
14 existing law and not as a new enactment. If, in any year,  
15 the increase in base employment within Illinois over the  
16 preceding year is less than 1%, the additional credit  
17 shall be limited to that percentage times a fraction, the  
18 numerator of which is .5% and the denominator of which is  
19 1%, but shall not exceed .5%. The investment credit shall  
20 not be allowed to the extent that it would reduce a  
21 taxpayer's liability in any tax year below zero, nor may  
22 any credit for qualified property be allowed for any year  
23 other than the year in which the property was placed in  
24 service in Illinois. For tax years ending on or after  
25 December 31, 1987, and on or before December 31, 1988, the  
26 credit shall be allowed for the tax year in which the

1 property is placed in service, or, if the amount of the  
2 credit exceeds the tax liability for that year, whether it  
3 exceeds the original liability or the liability as later  
4 amended, such excess may be carried forward and applied to  
5 the tax liability of the 5 taxable years following the  
6 excess credit years if the taxpayer (i) makes investments  
7 which cause the creation of a minimum of 2,000 full-time  
8 equivalent jobs in Illinois, (ii) is located in an  
9 enterprise zone established pursuant to the Illinois  
10 Enterprise Zone Act and (iii) is certified by the  
11 Department of Commerce and Community Affairs (now  
12 Department of Commerce and Economic Opportunity) as  
13 complying with the requirements specified in clause (i)  
14 and (ii) by July 1, 1986. The Department of Commerce and  
15 Community Affairs (now Department of Commerce and Economic  
16 Opportunity) shall notify the Department of Revenue of all  
17 such certifications immediately. For tax years ending  
18 after December 31, 1988, the credit shall be allowed for  
19 the tax year in which the property is placed in service,  
20 or, if the amount of the credit exceeds the tax liability  
21 for that year, whether it exceeds the original liability  
22 or the liability as later amended, such excess may be  
23 carried forward and applied to the tax liability of the 5  
24 taxable years following the excess credit years. The  
25 credit shall be applied to the earliest year for which  
26 there is a liability. If there is credit from more than one



1 tax year that is available to offset a liability, earlier  
2 credit shall be applied first.

3 (2) The term "qualified property" means property  
4 which:

5 (A) is tangible, whether new or used, including  
6 buildings and structural components of buildings and  
7 signs that are real property, but not including land  
8 or improvements to real property that are not a  
9 structural component of a building such as  
10 landscaping, sewer lines, local access roads, fencing,  
11 parking lots, and other appurtenances;

12 (B) is depreciable pursuant to Section 167 of the  
13 Internal Revenue Code, except that "3-year property"  
14 as defined in Section 168(c)(2)(A) of that Code is not  
15 eligible for the credit provided by this subsection  
16 (e);

17 (C) is acquired by purchase as defined in Section  
18 179(d) of the Internal Revenue Code;

19 (D) is used in Illinois by a taxpayer who is  
20 primarily engaged in manufacturing, or in mining coal  
21 or fluorite, or in retailing, or was placed in service  
22 on or after July 1, 2006 in a River Edge Redevelopment  
23 Zone established pursuant to the River Edge  
24 Redevelopment Zone Act; and

25 (E) has not previously been used in Illinois in  
26 such a manner and by such a person as would qualify for

1           the credit provided by this subsection (e) or  
2           subsection (f).

3           (3) For purposes of this subsection (e),  
4           "manufacturing" means the material staging and production  
5           of tangible personal property by procedures commonly  
6           regarded as manufacturing, processing, fabrication, or  
7           assembling which changes some existing material into new  
8           shapes, new qualities, or new combinations. For purposes  
9           of this subsection (e) the term "mining" shall have the  
10          same meaning as the term "mining" in Section 613(c) of the  
11          Internal Revenue Code. For purposes of this subsection  
12          (e), the term "retailing" means the sale of tangible  
13          personal property for use or consumption and not for  
14          resale, or services rendered in conjunction with the sale  
15          of tangible personal property for use or consumption and  
16          not for resale. For purposes of this subsection (e),  
17          "tangible personal property" has the same meaning as when  
18          that term is used in the Retailers' Occupation Tax Act,  
19          and, for taxable years ending after December 31, 2008,  
20          does not include the generation, transmission, or  
21          distribution of electricity.

22          (4) The basis of qualified property shall be the basis  
23          used to compute the depreciation deduction for federal  
24          income tax purposes.

25          (5) If the basis of the property for federal income  
26          tax depreciation purposes is increased after it has been

1 placed in service in Illinois by the taxpayer, the amount  
2 of such increase shall be deemed property placed in  
3 service on the date of such increase in basis.

4 (6) The term "placed in service" shall have the same  
5 meaning as under Section 46 of the Internal Revenue Code.

6 (7) If during any taxable year, any property ceases to  
7 be qualified property in the hands of the taxpayer within  
8 48 months after being placed in service, or the situs of  
9 any qualified property is moved outside Illinois within 48  
10 months after being placed in service, the Personal  
11 Property Tax Replacement Income Tax for such taxable year  
12 shall be increased. Such increase shall be determined by  
13 (i) recomputing the investment credit which would have  
14 been allowed for the year in which credit for such  
15 property was originally allowed by eliminating such  
16 property from such computation and, (ii) subtracting such  
17 recomputed credit from the amount of credit previously  
18 allowed. For the purposes of this paragraph (7), a  
19 reduction of the basis of qualified property resulting  
20 from a redetermination of the purchase price shall be  
21 deemed a disposition of qualified property to the extent  
22 of such reduction.

23 (8) Unless the investment credit is extended by law,  
24 the basis of qualified property shall not include costs  
25 incurred after December 31, 2018, except for costs  
26 incurred pursuant to a binding contract entered into on or

1 before December 31, 2018.

2 (9) Each taxable year ending before December 31, 2000,  
3 a partnership may elect to pass through to its partners  
4 the credits to which the partnership is entitled under  
5 this subsection (e) for the taxable year. A partner may  
6 use the credit allocated to him or her under this  
7 paragraph only against the tax imposed in subsections (c)  
8 and (d) of this Section. If the partnership makes that  
9 election, those credits shall be allocated among the  
10 partners in the partnership in accordance with the rules  
11 set forth in Section 704(b) of the Internal Revenue Code,  
12 and the rules promulgated under that Section, and the  
13 allocated amount of the credits shall be allowed to the  
14 partners for that taxable year. The partnership shall make  
15 this election on its Personal Property Tax Replacement  
16 Income Tax return for that taxable year. The election to  
17 pass through the credits shall be irrevocable.

18 For taxable years ending on or after December 31,  
19 2000, a partner that qualifies its partnership for a  
20 subtraction under subparagraph (I) of paragraph (2) of  
21 subsection (d) of Section 203 or a shareholder that  
22 qualifies a Subchapter S corporation for a subtraction  
23 under subparagraph (S) of paragraph (2) of subsection (b)  
24 of Section 203 shall be allowed a credit under this  
25 subsection (e) equal to its share of the credit earned  
26 under this subsection (e) during the taxable year by the

1 partnership or Subchapter S corporation, determined in  
2 accordance with the determination of income and  
3 distributive share of income under Sections 702 and 704  
4 and Subchapter S of the Internal Revenue Code. This  
5 paragraph is exempt from the provisions of Section 250.

6 (f) Investment credit; Enterprise Zone; River Edge  
7 Redevelopment Zone.

8 (1) A taxpayer shall be allowed a credit against the  
9 tax imposed by subsections (a) and (b) of this Section for  
10 investment in qualified property which is placed in  
11 service in an Enterprise Zone created pursuant to the  
12 Illinois Enterprise Zone Act or, for property placed in  
13 service on or after July 1, 2006, a River Edge  
14 Redevelopment Zone established pursuant to the River Edge  
15 Redevelopment Zone Act. For partners, shareholders of  
16 Subchapter S corporations, and owners of limited liability  
17 companies, if the liability company is treated as a  
18 partnership for purposes of federal and State income  
19 taxation, there shall be allowed a credit under this  
20 subsection (f) to be determined in accordance with the  
21 determination of income and distributive share of income  
22 under Sections 702 and 704 and Subchapter S of the  
23 Internal Revenue Code. The credit shall be .5% of the  
24 basis for such property. The credit shall be available  
25 only in the taxable year in which the property is placed in  
26 service in the Enterprise Zone or River Edge Redevelopment

1 Zone and shall not be allowed to the extent that it would  
2 reduce a taxpayer's liability for the tax imposed by  
3 subsections (a) and (b) of this Section to below zero. For  
4 tax years ending on or after December 31, 1985, the credit  
5 shall be allowed for the tax year in which the property is  
6 placed in service, or, if the amount of the credit exceeds  
7 the tax liability for that year, whether it exceeds the  
8 original liability or the liability as later amended, such  
9 excess may be carried forward and applied to the tax  
10 liability of the 5 taxable years following the excess  
11 credit year. The credit shall be applied to the earliest  
12 year for which there is a liability. If there is credit  
13 from more than one tax year that is available to offset a  
14 liability, the credit accruing first in time shall be  
15 applied first.

16 (2) The term qualified property means property which:

17 (A) is tangible, whether new or used, including  
18 buildings and structural components of buildings;

19 (B) is depreciable pursuant to Section 167 of the  
20 Internal Revenue Code, except that "3-year property"  
21 as defined in Section 168(c)(2)(A) of that Code is not  
22 eligible for the credit provided by this subsection  
23 (f);

24 (C) is acquired by purchase as defined in Section  
25 179(d) of the Internal Revenue Code;

26 (D) is used in the Enterprise Zone or River Edge

1           Redevelopment Zone by the taxpayer; and

2           (E) has not been previously used in Illinois in  
3           such a manner and by such a person as would qualify for  
4           the credit provided by this subsection (f) or  
5           subsection (e).

6           (3) The basis of qualified property shall be the basis  
7           used to compute the depreciation deduction for federal  
8           income tax purposes.

9           (4) If the basis of the property for federal income  
10          tax depreciation purposes is increased after it has been  
11          placed in service in the Enterprise Zone or River Edge  
12          Redevelopment Zone by the taxpayer, the amount of such  
13          increase shall be deemed property placed in service on the  
14          date of such increase in basis.

15          (5) The term "placed in service" shall have the same  
16          meaning as under Section 46 of the Internal Revenue Code.

17          (6) If during any taxable year, any property ceases to  
18          be qualified property in the hands of the taxpayer within  
19          48 months after being placed in service, or the situs of  
20          any qualified property is moved outside the Enterprise  
21          Zone or River Edge Redevelopment Zone within 48 months  
22          after being placed in service, the tax imposed under  
23          subsections (a) and (b) of this Section for such taxable  
24          year shall be increased. Such increase shall be determined  
25          by (i) recomputing the investment credit which would have  
26          been allowed for the year in which credit for such

1 property was originally allowed by eliminating such  
2 property from such computation, and (ii) subtracting such  
3 recomputed credit from the amount of credit previously  
4 allowed. For the purposes of this paragraph (6), a  
5 reduction of the basis of qualified property resulting  
6 from a redetermination of the purchase price shall be  
7 deemed a disposition of qualified property to the extent  
8 of such reduction.

9 (7) There shall be allowed an additional credit equal  
10 to 0.5% of the basis of qualified property placed in  
11 service during the taxable year in a River Edge  
12 Redevelopment Zone, provided such property is placed in  
13 service on or after July 1, 2006, and the taxpayer's base  
14 employment within Illinois has increased by 1% or more  
15 over the preceding year as determined by the taxpayer's  
16 employment records filed with the Illinois Department of  
17 Employment Security. Taxpayers who are new to Illinois  
18 shall be deemed to have met the 1% growth in base  
19 employment for the first year in which they file  
20 employment records with the Illinois Department of  
21 Employment Security. If, in any year, the increase in base  
22 employment within Illinois over the preceding year is less  
23 than 1%, the additional credit shall be limited to that  
24 percentage times a fraction, the numerator of which is  
25 0.5% and the denominator of which is 1%, but shall not  
26 exceed 0.5%.



1           (8) For taxable years beginning on or after January 1,  
2           2021, there shall be allowed an Enterprise Zone  
3           construction jobs credit against the taxes imposed under  
4           subsections (a) and (b) of this Section as provided in  
5           Section 13 of the Illinois Enterprise Zone Act.

6           The credit or credits may not reduce the taxpayer's  
7           liability to less than zero. If the amount of the credit or  
8           credits exceeds the taxpayer's liability, the excess may  
9           be carried forward and applied against the taxpayer's  
10          liability in succeeding calendar years in the same manner  
11          provided under paragraph (4) of Section 211 of this Act.  
12          The credit or credits shall be applied to the earliest  
13          year for which there is a tax liability. If there are  
14          credits from more than one taxable year that are available  
15          to offset a liability, the earlier credit shall be applied  
16          first.

17          For partners, shareholders of Subchapter S  
18          corporations, and owners of limited liability companies,  
19          if the liability company is treated as a partnership for  
20          the purposes of federal and State income taxation, there  
21          shall be allowed a credit under this Section to be  
22          determined in accordance with the determination of income  
23          and distributive share of income under Sections 702 and  
24          704 and Subchapter S of the Internal Revenue Code.

25          The total aggregate amount of credits awarded under  
26          the Blue Collar Jobs Act (Article 20 of Public Act 101-9

1 ~~this amendatory Act of the 101st General Assembly~~) shall  
2 not exceed \$20,000,000 in any State fiscal year.

3 This paragraph (8) is exempt from the provisions of  
4 Section 250.

5 (g) (Blank).

6 (h) Investment credit; High Impact Business.

7 (1) Subject to subsections (b) and (b-5) of Section  
8 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall  
9 be allowed a credit against the tax imposed by subsections  
10 (a) and (b) of this Section for investment in qualified  
11 property which is placed in service by a Department of  
12 Commerce and Economic Opportunity designated High Impact  
13 Business. The credit shall be .5% of the basis for such  
14 property. The credit shall not be available (i) until the  
15 minimum investments in qualified property set forth in  
16 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
17 Enterprise Zone Act have been satisfied or (ii) until the  
18 time authorized in subsection (b-5) of the Illinois  
19 Enterprise Zone Act for entities designated as High Impact  
20 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
21 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
22 Act, and shall not be allowed to the extent that it would  
23 reduce a taxpayer's liability for the tax imposed by  
24 subsections (a) and (b) of this Section to below zero. The  
25 credit applicable to such investments shall be taken in  
26 the taxable year in which such investments have been

1 completed. The credit for additional investments beyond  
2 the minimum investment by a designated high impact  
3 business authorized under subdivision (a) (3) (A) of Section  
4 5.5 of the Illinois Enterprise Zone Act shall be available  
5 only in the taxable year in which the property is placed in  
6 service and shall not be allowed to the extent that it  
7 would reduce a taxpayer's liability for the tax imposed by  
8 subsections (a) and (b) of this Section to below zero. For  
9 tax years ending on or after December 31, 1987, the credit  
10 shall be allowed for the tax year in which the property is  
11 placed in service, or, if the amount of the credit exceeds  
12 the tax liability for that year, whether it exceeds the  
13 original liability or the liability as later amended, such  
14 excess may be carried forward and applied to the tax  
15 liability of the 5 taxable years following the excess  
16 credit year. The credit shall be applied to the earliest  
17 year for which there is a liability. If there is credit  
18 from more than one tax year that is available to offset a  
19 liability, the credit accruing first in time shall be  
20 applied first.

21 Changes made in this subdivision (h) (1) by Public Act  
22 88-670 restore changes made by Public Act 85-1182 and  
23 reflect existing law.

24 (2) The term qualified property means property which:

25 (A) is tangible, whether new or used, including  
26 buildings and structural components of buildings;

1 (B) is depreciable pursuant to Section 167 of the  
2 Internal Revenue Code, except that "3-year property"  
3 as defined in Section 168(c)(2)(A) of that Code is not  
4 eligible for the credit provided by this subsection  
5 (h);

6 (C) is acquired by purchase as defined in Section  
7 179(d) of the Internal Revenue Code; and

8 (D) is not eligible for the Enterprise Zone  
9 Investment Credit provided by subsection (f) of this  
10 Section.

11 (3) The basis of qualified property shall be the basis  
12 used to compute the depreciation deduction for federal  
13 income tax purposes.

14 (4) If the basis of the property for federal income  
15 tax depreciation purposes is increased after it has been  
16 placed in service in a federally designated Foreign Trade  
17 Zone or Sub-Zone located in Illinois by the taxpayer, the  
18 amount of such increase shall be deemed property placed in  
19 service on the date of such increase in basis.

20 (5) The term "placed in service" shall have the same  
21 meaning as under Section 46 of the Internal Revenue Code.

22 (6) If during any taxable year ending on or before  
23 December 31, 1996, any property ceases to be qualified  
24 property in the hands of the taxpayer within 48 months  
25 after being placed in service, or the situs of any  
26 qualified property is moved outside Illinois within 48

1 months after being placed in service, the tax imposed  
2 under subsections (a) and (b) of this Section for such  
3 taxable year shall be increased. Such increase shall be  
4 determined by (i) recomputing the investment credit which  
5 would have been allowed for the year in which credit for  
6 such property was originally allowed by eliminating such  
7 property from such computation, and (ii) subtracting such  
8 recomputed credit from the amount of credit previously  
9 allowed. For the purposes of this paragraph (6), a  
10 reduction of the basis of qualified property resulting  
11 from a redetermination of the purchase price shall be  
12 deemed a disposition of qualified property to the extent  
13 of such reduction.

14 (7) Beginning with tax years ending after December 31,  
15 1996, if a taxpayer qualifies for the credit under this  
16 subsection (h) and thereby is granted a tax abatement and  
17 the taxpayer relocates its entire facility in violation of  
18 the explicit terms and length of the contract under  
19 Section 18-183 of the Property Tax Code, the tax imposed  
20 under subsections (a) and (b) of this Section shall be  
21 increased for the taxable year in which the taxpayer  
22 relocated its facility by an amount equal to the amount of  
23 credit received by the taxpayer under this subsection (h).

24 (h-5) High Impact Business construction ~~constructions~~ jobs  
25 credit. For taxable years beginning on or after January 1,  
26 2021, there shall also be allowed a High Impact Business

1 construction jobs credit against the tax imposed under  
2 subsections (a) and (b) of this Section as provided in  
3 subsections (i) and (j) of Section 5.5 of the Illinois  
4 Enterprise Zone Act.

5 The credit or credits may not reduce the taxpayer's  
6 liability to less than zero. If the amount of the credit or  
7 credits exceeds the taxpayer's liability, the excess may be  
8 carried forward and applied against the taxpayer's liability  
9 in succeeding calendar years in the manner provided under  
10 paragraph (4) of Section 211 of this Act. The credit or credits  
11 shall be applied to the earliest year for which there is a tax  
12 liability. If there are credits from more than one taxable  
13 year that are available to offset a liability, the earlier  
14 credit shall be applied first.

15 For partners, shareholders of Subchapter S corporations,  
16 and owners of limited liability companies, if the liability  
17 company is treated as a partnership for the purposes of  
18 federal and State income taxation, there shall be allowed a  
19 credit under this Section to be determined in accordance with  
20 the determination of income and distributive share of income  
21 under Sections 702 and 704 and Subchapter S of the Internal  
22 Revenue Code.

23 The total aggregate amount of credits awarded under the  
24 Blue Collar Jobs Act (Article 20 of Public Act 101-9 ~~this~~  
25 ~~amendatory Act of the 101st General Assembly~~) shall not exceed  
26 \$20,000,000 in any State fiscal year.

1           This subsection (h-5) is exempt from the provisions of  
2 Section 250.

3           (i) Credit for Personal Property Tax Replacement Income  
4 Tax. For tax years ending prior to December 31, 2003, a credit  
5 shall be allowed against the tax imposed by subsections (a)  
6 and (b) of this Section for the tax imposed by subsections (c)  
7 and (d) of this Section. This credit shall be computed by  
8 multiplying the tax imposed by subsections (c) and (d) of this  
9 Section by a fraction, the numerator of which is base income  
10 allocable to Illinois and the denominator of which is Illinois  
11 base income, and further multiplying the product by the tax  
12 rate imposed by subsections (a) and (b) of this Section.

13           Any credit earned on or after December 31, 1986 under this  
14 subsection which is unused in the year the credit is computed  
15 because it exceeds the tax liability imposed by subsections  
16 (a) and (b) for that year (whether it exceeds the original  
17 liability or the liability as later amended) may be carried  
18 forward and applied to the tax liability imposed by  
19 subsections (a) and (b) of the 5 taxable years following the  
20 excess credit year, provided that no credit may be carried  
21 forward to any year ending on or after December 31, 2003. This  
22 credit shall be applied first to the earliest year for which  
23 there is a liability. If there is a credit under this  
24 subsection from more than one tax year that is available to  
25 offset a liability the earliest credit arising under this  
26 subsection shall be applied first.

1           If, during any taxable year ending on or after December  
2 31, 1986, the tax imposed by subsections (c) and (d) of this  
3 Section for which a taxpayer has claimed a credit under this  
4 subsection (i) is reduced, the amount of credit for such tax  
5 shall also be reduced. Such reduction shall be determined by  
6 recomputing the credit to take into account the reduced tax  
7 imposed by subsections (c) and (d). If any portion of the  
8 reduced amount of credit has been carried to a different  
9 taxable year, an amended return shall be filed for such  
10 taxable year to reduce the amount of credit claimed.

11           (j) Training expense credit. Beginning with tax years  
12 ending on or after December 31, 1986 and prior to December 31,  
13 2003, a taxpayer shall be allowed a credit against the tax  
14 imposed by subsections (a) and (b) under this Section for all  
15 amounts paid or accrued, on behalf of all persons employed by  
16 the taxpayer in Illinois or Illinois residents employed  
17 outside of Illinois by a taxpayer, for educational or  
18 vocational training in semi-technical or technical fields or  
19 semi-skilled or skilled fields, which were deducted from gross  
20 income in the computation of taxable income. The credit  
21 against the tax imposed by subsections (a) and (b) shall be  
22 1.6% of such training expenses. For partners, shareholders of  
23 subchapter S corporations, and owners of limited liability  
24 companies, if the liability company is treated as a  
25 partnership for purposes of federal and State income taxation,  
26 there shall be allowed a credit under this subsection (j) to be



1 determined in accordance with the determination of income and  
2 distributive share of income under Sections 702 and 704 and  
3 subchapter S of the Internal Revenue Code.

4 Any credit allowed under this subsection which is unused  
5 in the year the credit is earned may be carried forward to each  
6 of the 5 taxable years following the year for which the credit  
7 is first computed until it is used. This credit shall be  
8 applied first to the earliest year for which there is a  
9 liability. If there is a credit under this subsection from  
10 more than one tax year that is available to offset a liability,  
11 the earliest credit arising under this subsection shall be  
12 applied first. No carryforward credit may be claimed in any  
13 tax year ending on or after December 31, 2003.

14 (k) Research and development credit. For tax years ending  
15 after July 1, 1990 and prior to December 31, 2003, and  
16 beginning again for tax years ending on or after December 31,  
17 2004, and ending prior to January 1, 2027, a taxpayer shall be  
18 allowed a credit against the tax imposed by subsections (a)  
19 and (b) of this Section for increasing research activities in  
20 this State. The credit allowed against the tax imposed by  
21 subsections (a) and (b) shall be equal to 6 1/2% of the  
22 qualifying expenditures for increasing research activities in  
23 this State. For partners, shareholders of subchapter S  
24 corporations, and owners of limited liability companies, if  
25 the liability company is treated as a partnership for purposes  
26 of federal and State income taxation, there shall be allowed a

1 credit under this subsection to be determined in accordance  
2 with the determination of income and distributive share of  
3 income under Sections 702 and 704 and subchapter S of the  
4 Internal Revenue Code.

5 For purposes of this subsection, "qualifying expenditures"  
6 means the qualifying expenditures as defined for the federal  
7 credit for increasing research activities which would be  
8 allowable under Section 41 of the Internal Revenue Code and  
9 which are conducted in this State, "qualifying expenditures  
10 for increasing research activities in this State" means the  
11 excess of qualifying expenditures for the taxable year in  
12 which incurred over qualifying expenditures for the base  
13 period, "qualifying expenditures for the base period" means  
14 the average of the qualifying expenditures for each year in  
15 the base period, and "base period" means the 3 taxable years  
16 immediately preceding the taxable year for which the  
17 determination is being made.

18 Any credit in excess of the tax liability for the taxable  
19 year may be carried forward. A taxpayer may elect to have the  
20 unused credit shown on its final completed return carried over  
21 as a credit against the tax liability for the following 5  
22 taxable years or until it has been fully used, whichever  
23 occurs first; provided that no credit earned in a tax year  
24 ending prior to December 31, 2003 may be carried forward to any  
25 year ending on or after December 31, 2003.

26 If an unused credit is carried forward to a given year from

1 2 or more earlier years, that credit arising in the earliest  
2 year will be applied first against the tax liability for the  
3 given year. If a tax liability for the given year still  
4 remains, the credit from the next earliest year will then be  
5 applied, and so on, until all credits have been used or no tax  
6 liability for the given year remains. Any remaining unused  
7 credit or credits then will be carried forward to the next  
8 following year in which a tax liability is incurred, except  
9 that no credit can be carried forward to a year which is more  
10 than 5 years after the year in which the expense for which the  
11 credit is given was incurred.

12 No inference shall be drawn from Public Act 91-644 ~~this~~  
13 ~~amendatory Act of the 91st General Assembly~~ in construing this  
14 Section for taxable years beginning before January 1, 1999.

15 It is the intent of the General Assembly that the research  
16 and development credit under this subsection (k) shall apply  
17 continuously for all tax years ending on or after December 31,  
18 2004 and ending prior to January 1, 2027, including, but not  
19 limited to, the period beginning on January 1, 2016 and ending  
20 on July 6, 2017 (the effective date of Public Act 100-22) ~~this~~  
21 ~~amendatory Act of the 100th General Assembly~~. All actions  
22 taken in reliance on the continuation of the credit under this  
23 subsection (k) by any taxpayer are hereby validated.

24 (1) Environmental Remediation Tax Credit.

25 (i) For tax years ending after December 31, 1997 and  
26 on or before December 31, 2001, a taxpayer shall be

1        allowed a credit against the tax imposed by subsections  
2        (a) and (b) of this Section for certain amounts paid for  
3        unreimbursed eligible remediation costs, as specified in  
4        this subsection. For purposes of this Section,  
5        "unreimbursed eligible remediation costs" means costs  
6        approved by the Illinois Environmental Protection Agency  
7        ("Agency") under Section 58.14 of the Environmental  
8        Protection Act that were paid in performing environmental  
9        remediation at a site for which a No Further Remediation  
10       Letter was issued by the Agency and recorded under Section  
11       58.10 of the Environmental Protection Act. The credit must  
12       be claimed for the taxable year in which Agency approval  
13       of the eligible remediation costs is granted. The credit  
14       is not available to any taxpayer if the taxpayer or any  
15       related party caused or contributed to, in any material  
16       respect, a release of regulated substances on, in, or  
17       under the site that was identified and addressed by the  
18       remedial action pursuant to the Site Remediation Program  
19       of the Environmental Protection Act. After the Pollution  
20       Control Board rules are adopted pursuant to the Illinois  
21       Administrative Procedure Act for the administration and  
22       enforcement of Section 58.9 of the Environmental  
23       Protection Act, determinations as to credit availability  
24       for purposes of this Section shall be made consistent with  
25       those rules. For purposes of this Section, "taxpayer"  
26       includes a person whose tax attributes the taxpayer has

1 succeeded to under Section 381 of the Internal Revenue  
2 Code and "related party" includes the persons disallowed a  
3 deduction for losses by paragraphs (b), (c), and (f)(1) of  
4 Section 267 of the Internal Revenue Code by virtue of  
5 being a related taxpayer, as well as any of its partners.  
6 The credit allowed against the tax imposed by subsections  
7 (a) and (b) shall be equal to 25% of the unreimbursed  
8 eligible remediation costs in excess of \$100,000 per site,  
9 except that the \$100,000 threshold shall not apply to any  
10 site contained in an enterprise zone as determined by the  
11 Department of Commerce and Community Affairs (now  
12 Department of Commerce and Economic Opportunity). The  
13 total credit allowed shall not exceed \$40,000 per year  
14 with a maximum total of \$150,000 per site. For partners  
15 and shareholders of subchapter S corporations, there shall  
16 be allowed a credit under this subsection to be determined  
17 in accordance with the determination of income and  
18 distributive share of income under Sections 702 and 704  
19 and subchapter S of the Internal Revenue Code.

20 (ii) A credit allowed under this subsection that is  
21 unused in the year the credit is earned may be carried  
22 forward to each of the 5 taxable years following the year  
23 for which the credit is first earned until it is used. The  
24 term "unused credit" does not include any amounts of  
25 unreimbursed eligible remediation costs in excess of the  
26 maximum credit per site authorized under paragraph (i).

1           This credit shall be applied first to the earliest year  
2           for which there is a liability. If there is a credit under  
3           this subsection from more than one tax year that is  
4           available to offset a liability, the earliest credit  
5           arising under this subsection shall be applied first. A  
6           credit allowed under this subsection may be sold to a  
7           buyer as part of a sale of all or part of the remediation  
8           site for which the credit was granted. The purchaser of a  
9           remediation site and the tax credit shall succeed to the  
10          unused credit and remaining carry-forward period of the  
11          seller. To perfect the transfer, the assignor shall record  
12          the transfer in the chain of title for the site and provide  
13          written notice to the Director of the Illinois Department  
14          of Revenue of the assignor's intent to sell the  
15          remediation site and the amount of the tax credit to be  
16          transferred as a portion of the sale. In no event may a  
17          credit be transferred to any taxpayer if the taxpayer or a  
18          related party would not be eligible under the provisions  
19          of subsection (i).

20                 (iii) For purposes of this Section, the term "site"  
21                 shall have the same meaning as under Section 58.2 of the  
22                 Environmental Protection Act.

23                 (m) Education expense credit. Beginning with tax years  
24                 ending after December 31, 1999, a taxpayer who is the  
25                 custodian of one or more qualifying pupils shall be allowed a  
26                 credit against the tax imposed by subsections (a) and (b) of

1 this Section for qualified education expenses incurred on  
2 behalf of the qualifying pupils. The credit shall be equal to  
3 25% of qualified education expenses, but in no event may the  
4 total credit under this subsection claimed by a family that is  
5 the custodian of qualifying pupils exceed (i) \$500 for tax  
6 years ending prior to December 31, 2017, and (ii) \$750 for tax  
7 years ending on or after December 31, 2017. In no event shall a  
8 credit under this subsection reduce the taxpayer's liability  
9 under this Act to less than zero. Notwithstanding any other  
10 provision of law, for taxable years beginning on or after  
11 January 1, 2017, no taxpayer may claim a credit under this  
12 subsection (m) if the taxpayer's adjusted gross income for the  
13 taxable year exceeds (i) \$500,000, in the case of spouses  
14 filing a joint federal tax return or (ii) \$250,000, in the case  
15 of all other taxpayers. This subsection is exempt from the  
16 provisions of Section 250 of this Act.

17 For purposes of this subsection:

18 "Qualifying pupils" means individuals who (i) are  
19 residents of the State of Illinois, (ii) are under the age of  
20 21 at the close of the school year for which a credit is  
21 sought, and (iii) during the school year for which a credit is  
22 sought were full-time pupils enrolled in a kindergarten  
23 through twelfth grade education program at any school, as  
24 defined in this subsection.

25 "Qualified education expense" means the amount incurred on  
26 behalf of a qualifying pupil in excess of \$250 for tuition,

1 book fees, and lab fees at the school in which the pupil is  
2 enrolled during the regular school year.

3 "School" means any public or nonpublic elementary or  
4 secondary school in Illinois that is in compliance with Title  
5 VI of the Civil Rights Act of 1964 and attendance at which  
6 satisfies the requirements of Section 26-1 of the School Code,  
7 except that nothing shall be construed to require a child to  
8 attend any particular public or nonpublic school to qualify  
9 for the credit under this Section.

10 "Custodian" means, with respect to qualifying pupils, an  
11 Illinois resident who is a parent, the parents, a legal  
12 guardian, or the legal guardians of the qualifying pupils.

13 (n) River Edge Redevelopment Zone site remediation tax  
14 credit.

15 (i) For tax years ending on or after December 31,  
16 2006, a taxpayer shall be allowed a credit against the tax  
17 imposed by subsections (a) and (b) of this Section for  
18 certain amounts paid for unreimbursed eligible remediation  
19 costs, as specified in this subsection. For purposes of  
20 this Section, "unreimbursed eligible remediation costs"  
21 means costs approved by the Illinois Environmental  
22 Protection Agency ("Agency") under Section 58.14a of the  
23 Environmental Protection Act that were paid in performing  
24 environmental remediation at a site within a River Edge  
25 Redevelopment Zone for which a No Further Remediation  
26 Letter was issued by the Agency and recorded under Section



1           58.10 of the Environmental Protection Act. The credit must  
2           be claimed for the taxable year in which Agency approval  
3           of the eligible remediation costs is granted. The credit  
4           is not available to any taxpayer if the taxpayer or any  
5           related party caused or contributed to, in any material  
6           respect, a release of regulated substances on, in, or  
7           under the site that was identified and addressed by the  
8           remedial action pursuant to the Site Remediation Program  
9           of the Environmental Protection Act. Determinations as to  
10          credit availability for purposes of this Section shall be  
11          made consistent with rules adopted by the Pollution  
12          Control Board pursuant to the Illinois Administrative  
13          Procedure Act for the administration and enforcement of  
14          Section 58.9 of the Environmental Protection Act. For  
15          purposes of this Section, "taxpayer" includes a person  
16          whose tax attributes the taxpayer has succeeded to under  
17          Section 381 of the Internal Revenue Code and "related  
18          party" includes the persons disallowed a deduction for  
19          losses by paragraphs (b), (c), and (f)(1) of Section 267  
20          of the Internal Revenue Code by virtue of being a related  
21          taxpayer, as well as any of its partners. The credit  
22          allowed against the tax imposed by subsections (a) and (b)  
23          shall be equal to 25% of the unreimbursed eligible  
24          remediation costs in excess of \$100,000 per site.

25               (ii) A credit allowed under this subsection that is  
26               unused in the year the credit is earned may be carried

1 forward to each of the 5 taxable years following the year  
2 for which the credit is first earned until it is used. This  
3 credit shall be applied first to the earliest year for  
4 which there is a liability. If there is a credit under this  
5 subsection from more than one tax year that is available  
6 to offset a liability, the earliest credit arising under  
7 this subsection shall be applied first. A credit allowed  
8 under this subsection may be sold to a buyer as part of a  
9 sale of all or part of the remediation site for which the  
10 credit was granted. The purchaser of a remediation site  
11 and the tax credit shall succeed to the unused credit and  
12 remaining carry-forward period of the seller. To perfect  
13 the transfer, the assignor shall record the transfer in  
14 the chain of title for the site and provide written notice  
15 to the Director of the Illinois Department of Revenue of  
16 the assignor's intent to sell the remediation site and the  
17 amount of the tax credit to be transferred as a portion of  
18 the sale. In no event may a credit be transferred to any  
19 taxpayer if the taxpayer or a related party would not be  
20 eligible under the provisions of subsection (i).

21 (iii) For purposes of this Section, the term "site"  
22 shall have the same meaning as under Section 58.2 of the  
23 Environmental Protection Act.

24 (o) For each of taxable years during the Compassionate Use  
25 of Medical Cannabis Program, a surcharge is imposed on all  
26 taxpayers on income arising from the sale or exchange of

1 capital assets, depreciable business property, real property  
2 used in the trade or business, and Section 197 intangibles of  
3 an organization registrant under the Compassionate Use of  
4 Medical Cannabis Program Act. The amount of the surcharge is  
5 equal to the amount of federal income tax liability for the  
6 taxable year attributable to those sales and exchanges. The  
7 surcharge imposed does not apply if:

8 (1) the medical cannabis cultivation center  
9 registration, medical cannabis dispensary registration, or  
10 the property of a registration is transferred as a result  
11 of any of the following:

12 (A) bankruptcy, a receivership, or a debt  
13 adjustment initiated by or against the initial  
14 registration or the substantial owners of the initial  
15 registration;

16 (B) cancellation, revocation, or termination of  
17 any registration by the Illinois Department of Public  
18 Health;

19 (C) a determination by the Illinois Department of  
20 Public Health that transfer of the registration is in  
21 the best interests of Illinois qualifying patients as  
22 defined by the Compassionate Use of Medical Cannabis  
23 Program Act;

24 (D) the death of an owner of the equity interest in  
25 a registrant;

26 (E) the acquisition of a controlling interest in

1 the stock or substantially all of the assets of a  
2 publicly traded company;

3 (F) a transfer by a parent company to a wholly  
4 owned subsidiary; or

5 (G) the transfer or sale to or by one person to  
6 another person where both persons were initial owners  
7 of the registration when the registration was issued;  
8 or

9 (2) the cannabis cultivation center registration,  
10 medical cannabis dispensary registration, or the  
11 controlling interest in a registrant's property is  
12 transferred in a transaction to lineal descendants in  
13 which no gain or loss is recognized or as a result of a  
14 transaction in accordance with Section 351 of the Internal  
15 Revenue Code in which no gain or loss is recognized.

16 (p) Pass-through entity tax.

17 (1) For taxable years ending on or after December 31,  
18 2021 and beginning prior to January 1, 2026, a partnership  
19 (other than a publicly traded partnership under Section  
20 7704 of the Internal Revenue Code) or Subchapter S  
21 corporation may elect to apply the provisions of this  
22 subsection. A separate election shall be made for each  
23 taxable year. Such election shall be made at such time,  
24 and in such form and manner as prescribed by the  
25 Department, and, once made, is irrevocable.

26 (2) Entity-level tax. A partnership or Subchapter S

1 corporation electing to apply the provisions of this  
2 subsection shall be subject to a tax for the privilege of  
3 earning or receiving income in this State in an amount  
4 equal to 4.95% of the taxpayer's net income for the  
5 taxable year.

6 (3) Net income defined.

7 (A) In general. For purposes of paragraph (2), the  
8 term net income has the same meaning as defined in  
9 Section 202 of this Act, except that the following  
10 provisions shall not apply:

11 (i) the standard exemption allowed under  
12 Section 204;

13 (ii) the deduction for net losses allowed  
14 under Section 207;

15 (iii) in the case of an S corporation, the  
16 modification under Section 203(b)(2)(S); and

17 (iv) in the case of a partnership, the  
18 modifications under Section 203(d)(2)(H) and  
19 Section 203(d)(2)(I).

20 (B) Special rule for tiered partnerships. If a  
21 taxpayer making the election under paragraph (1) is a  
22 partner of another taxpayer making the election under  
23 paragraph (1), net income shall be computed as  
24 provided in subparagraph (A), except that the taxpayer  
25 shall subtract its distributive share of the net  
26 income of the electing partnership (including its

1 distributive share of the net income of the electing  
2 partnership derived as a distributive share from  
3 electing partnerships in which it is a partner).

4 (4) Credit for entity level tax. Each partner or  
5 shareholder of a taxpayer making the election under this  
6 Section shall be allowed a credit against the tax imposed  
7 under subsections (a) and (b) of Section 201 of this Act  
8 for the taxable year of the partnership or Subchapter S  
9 corporation for which an election is in effect ending  
10 within or with the taxable year of the partner or  
11 shareholder in an amount equal to 4.95% times the partner  
12 or shareholder's distributive share of the net income of  
13 the electing partnership or Subchapter S corporation, but  
14 not to exceed the partner's or shareholder's share of the  
15 tax imposed under paragraph (1) which is actually paid by  
16 the partnership or Subchapter S corporation. If the  
17 taxpayer is a partnership or Subchapter S corporation that  
18 is itself a partner of a partnership making the election  
19 under paragraph (1), the credit under this paragraph shall  
20 be allowed to the taxpayer's partners or shareholders (or  
21 if the partner is a partnership or Subchapter S  
22 corporation then its partners or shareholders) in  
23 accordance with the determination of income and  
24 distributive share of income under Sections 702 and 704  
25 and Subchapter S of the Internal Revenue Code. If the  
26 amount of the credit allowed under this paragraph exceeds

1 the partner's or shareholder's liability for tax imposed  
2 under subsections (a) and (b) of Section 201 of this Act  
3 for the taxable year, such excess shall be treated as an  
4 overpayment for purposes of Section 909 of this Act.

5 (5) Nonresidents. A nonresident individual who is a  
6 partner or shareholder of a partnership or Subchapter S  
7 corporation for a taxable year for which an election is in  
8 effect under paragraph (1) shall not be required to file  
9 an income tax return under this Act for such taxable year  
10 if the only source of net income of the individual (or the  
11 individual and the individual's spouse in the case of a  
12 joint return) is from an entity making the election under  
13 paragraph (1) and the credit allowed to the partner or  
14 shareholder under paragraph (4) equals or exceeds the  
15 individual's liability for the tax imposed under  
16 subsections (a) and (b) of Section 201 of this Act for the  
17 taxable year.

18 (6) Liability for tax. Except as provided in this  
19 paragraph, a partnership or Subchapter S making the  
20 election under paragraph (1) is liable for the  
21 entity-level tax imposed under paragraph (2). If the  
22 electing partnership or corporation fails to pay the full  
23 amount of tax deemed assessed under paragraph (2), the  
24 partners or shareholders shall be liable to pay the tax  
25 assessed (including penalties and interest). Each partner  
26 or shareholder shall be liable for the unpaid assessment

1 based on the ratio of the partner's or shareholder's share  
2 of the net income of the partnership over the total net  
3 income of the partnership. If the partnership or  
4 Subchapter S corporation fails to pay the tax assessed  
5 (including penalties and interest) and thereafter an  
6 amount of such tax is paid by the partners or  
7 shareholders, such amount shall not be collected from the  
8 partnership or corporation.

9 (7) Foreign tax. For purposes of the credit allowed  
10 under Section 601(b)(3) of this Act, tax paid by a  
11 partnership or Subchapter S corporation to another state  
12 which, as determined by the Department, is substantially  
13 similar to the tax imposed under this subsection, shall be  
14 considered tax paid by the partner or shareholder to the  
15 extent that the partner's or shareholder's share of the  
16 income of the partnership or Subchapter S corporation  
17 allocated and apportioned to such other state bears to the  
18 total income of the partnership or Subchapter S  
19 corporation allocated or apportioned to such other state.

20 (8) Suspension of withholding. The provisions of  
21 Section 709.5 of this Act shall not apply to a partnership  
22 or Subchapter S corporation for the taxable year for which  
23 an election under paragraph (1) is in effect.

24 (9) Requirement to pay estimated tax. For each taxable  
25 year for which an election under paragraph (1) is in  
26 effect, a partnership or Subchapter S corporation is



1 required to pay estimated tax for such taxable year under  
2 Sections 803 and 804 of this Act if the amount payable as  
3 estimated tax can reasonably be expected to exceed \$500.

4 (10) The provisions of this subsection shall apply  
5 only with respect to taxable years for which the  
6 limitation on individual deductions applies under Section  
7 164(b)(6) of the Internal Revenue Code.

8 (Source: P.A. 100-22, eff. 7-6-17; 101-8, see Section 99 for  
9 effective date; 101-9, eff. 6-5-19; 101-31, eff. 6-28-19;  
10 101-207, eff. 8-2-19; 101-363, eff. 8-9-19; revised 11-18-20.)

11 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

12 Sec. 203. Base income defined.

13 (a) Individuals.

14 (1) In general. In the case of an individual, base  
15 income means an amount equal to the taxpayer's adjusted  
16 gross income for the taxable year as modified by paragraph  
17 (2).

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

21 (A) An amount equal to all amounts paid or accrued  
22 to the taxpayer as interest or dividends during the  
23 taxable year to the extent excluded from gross income  
24 in the computation of adjusted gross income, except  
25 stock dividends of qualified public utilities

1 described in Section 305(e) of the Internal Revenue  
2 Code;

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

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

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

23 (D-5) An amount, to the extent not included in  
24 adjusted gross income, equal to the amount of money  
25 withdrawn by the taxpayer in the taxable year from a  
26 medical care savings account and the interest earned

1           on the account in the taxable year of a withdrawal  
2           pursuant to subsection (b) of Section 20 of the  
3           Medical Care Savings Account Act or subsection (b) of  
4           Section 20 of the Medical Care Savings Account Act of  
5           2000;

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

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

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

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

1           was allowed in any taxable year to make a subtraction  
2           modification under subparagraph (Z), then an amount  
3           equal to that subtraction modification.

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

7           (D-17) An amount equal to the amount otherwise  
8           allowed as a deduction in computing base income for  
9           interest paid, accrued, or incurred, directly or  
10          indirectly, (i) for taxable years ending on or after  
11          December 31, 2004, to a foreign person who would be a  
12          member of the same unitary business group but for the  
13          fact that foreign person's business activity outside  
14          the United States is 80% or more of the foreign  
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. The addition modification  
23          required by this subparagraph shall be reduced to the  
24          extent that dividends were included in base income of  
25          the unitary group for the same taxable year and  
26          received by the taxpayer or by a member of the

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

8 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the  
24 interest expense between the taxpayer and the  
25 person did not have as a principal purpose the  
26 avoidance of Illinois income tax, and is paid

1           pursuant to a contract or agreement that  
2           reflects an arm's-length interest rate and  
3           terms; or

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

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

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

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

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

20 This paragraph shall not apply to the following:

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



1 with respect to such item; or

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

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

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

18 (iii) any item of intangible expense or cost  
19 paid, accrued, or incurred, directly or  
20 indirectly, from a transaction with a person if  
21 the taxpayer establishes by clear and convincing  
22 evidence, that the adjustments are unreasonable;  
23 or if the taxpayer and the Director agree in  
24 writing to the application or use of an  
25 alternative method of apportionment under Section  
26 304(f);

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

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

1 Sections 951 through 964 of the Internal Revenue Code  
2 and amounts included in gross income under Section 78  
3 of the Internal Revenue Code) with respect to the  
4 stock of the same person to whom the premiums and costs  
5 were directly or indirectly paid, incurred, or  
6 accrued. The preceding sentence does not apply to the  
7 extent that the same dividends caused a reduction to  
8 the addition modification required under Section  
9 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
10 Act;

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

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

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

26 (D-20.5) For taxable years beginning on or after

1           January 1, 2018, in the case of a distribution from a  
2           qualified ABLE program under Section 529A of the  
3           Internal Revenue Code, other than a distribution from  
4           a qualified ABLE program created under Section 16.6 of  
5           the State Treasurer Act, an amount equal to the amount  
6           excluded from gross income under Section 529A(c) (1) (B)  
7           of the Internal Revenue Code;

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

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

26          (D-22) For taxable years beginning on or after

1           January 1, 2009, and prior to January 1, 2018, in the  
2           case of a nonqualified withdrawal or refund of moneys  
3           from a qualified tuition program under Section 529 of  
4           the Internal Revenue Code administered by the State  
5           that is not used for qualified expenses at an eligible  
6           education institution, an amount equal to the  
7           contribution component of the nonqualified withdrawal  
8           or refund that was previously deducted from base  
9           income under subsection (a)(2)(y) of this Section,  
10          provided that the withdrawal or refund did not result  
11          from the beneficiary's death or disability. For  
12          taxable years beginning on or after January 1, 2018:  
13          (1) in the case of a nonqualified withdrawal or  
14          refund, as defined under Section 16.5 of the State  
15          Treasurer Act, of moneys from a qualified tuition  
16          program under Section 529 of the Internal Revenue Code  
17          administered by the State, an amount equal to the  
18          contribution component of the nonqualified withdrawal  
19          or refund that was previously deducted from base  
20          income under subsection (a)(2)(Y) of this Section, and  
21          (2) in the case of a nonqualified withdrawal or refund  
22          from a qualified ABLE program under Section 529A of  
23          the Internal Revenue Code administered by the State  
24          that is not used for qualified disability expenses, an  
25          amount equal to the contribution component of the  
26          nonqualified withdrawal or refund that was previously

1           deducted from base income under subsection (a) (2) (HH)  
2           of this Section;

3           (D-23) An amount equal to the credit allowable to  
4           the taxpayer under Section 218(a) of this Act,  
5           determined without regard to Section 218(c) of this  
6           Act;

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

11          (D-25) In the case of a resident, an amount equal  
12          to the amount of tax for which a credit is allowed  
13          pursuant to Section 201(p) (7) of this Act;

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

16          (E) For taxable years ending before December 31,  
17          2001, any amount included in such total in respect of  
18          any compensation (including but not limited to any  
19          compensation paid or accrued to a serviceman while a  
20          prisoner of war or missing in action) paid to a  
21          resident by reason of being on active duty in the Armed  
22          Forces of the United States and in respect of any  
23          compensation paid or accrued to a resident who as a  
24          governmental employee was a prisoner of war or missing  
25          in action, and in respect of any compensation paid to a  
26          resident in 1971 or thereafter for annual training

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

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



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

7 (G) The valuation limitation amount;

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

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

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

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

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

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

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

1           subparagraph are exempt from the provisions of Section  
2           250;

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

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

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

23          (Q) An amount equal to any amounts included in  
24          such total, received by the taxpayer as an  
25          acceleration in the payment of life, endowment or  
26          annuity benefits in advance of the time they would

1 otherwise be payable as an indemnity for a terminal  
2 illness;

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

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

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

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

26 (V) Beginning with tax years ending on or after

1 December 31, 1995 and ending with tax years ending on  
2 or before December 31, 2004, an amount equal to the  
3 amount paid by a taxpayer who is a self-employed  
4 taxpayer, a partner of a partnership, or a shareholder  
5 in a Subchapter S corporation for health insurance or  
6 long-term care insurance for that taxpayer or that  
7 taxpayer's spouse or dependents, to the extent that  
8 the amount paid for that health insurance or long-term  
9 care insurance may be deducted under Section 213 of  
10 the Internal Revenue Code, has not been deducted on  
11 the federal income tax return of the taxpayer, and  
12 does not exceed the taxable income attributable to  
13 that taxpayer's income, self-employment income, or  
14 Subchapter S corporation income; except that no  
15 deduction shall be allowed under this item (V) if the  
16 taxpayer is eligible to participate in any health  
17 insurance or long-term care insurance plan of an  
18 employer of the taxpayer or the taxpayer's spouse. The  
19 amount of the health insurance and long-term care  
20 insurance subtracted under this item (V) shall be  
21 determined by multiplying total health insurance and  
22 long-term care insurance premiums paid by the taxpayer  
23 times a number that represents the fractional  
24 percentage of eligible medical expenses under Section  
25 213 of the Internal Revenue Code of 1986 not actually  
26 deducted on the taxpayer's federal income tax return;

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

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

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

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

1 gross income under Section 529(c)(3)(C)(i) of the  
2 Internal Revenue Code shall not be considered moneys  
3 contributed under this subparagraph (Y). For purposes  
4 of this subparagraph, contributions made by an  
5 employer on behalf of an employee, or matching  
6 contributions made by an employee, shall be treated as  
7 made by the employee. This subparagraph (Y) is exempt  
8 from the provisions of Section 250;

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

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

22 (2) for taxable years ending on or before  
23 December 31, 2005, "x" equals "y" multiplied by 30  
24 and then divided by 70 (or "y" multiplied by  
25 0.429); and

26 (3) for taxable years ending after December



1           31, 2005:

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

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

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

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

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

1 federal income tax purposes and for which the taxpayer  
2 was required in any taxable year to make an addition  
3 modification under subparagraph (D-15), then an amount  
4 equal to that addition modification.

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

8 This subparagraph (AA) is exempt from the  
9 provisions of Section 250;

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

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

1           203(d)(2)(D-8), but not to exceed the amount of that  
2           addition modification. This subparagraph (CC) is  
3           exempt from the provisions of Section 250;

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

25          (EE) An amount equal to the income from intangible  
26          property taken into account for the taxable year (net

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

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

26 (GG) For taxable years ending on or after December

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

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

1           employee, shall be treated as made by the employee.

2           (b) Corporations.

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

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

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

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

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

1 of 1995 (Public Act 89-89) is declarative of existing  
2 law and is not a new enactment);

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

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

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

25 (ii) 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 not exceed the amount of  
3 such carryback or carryforward;

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

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

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

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



1           subparagraph (T) with respect to that property.

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

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

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

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

13 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

25 This paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

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

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

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

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

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

16 (E-15) For taxable years beginning after December  
17 31, 2008, any deduction for dividends paid by a  
18 captive real estate investment trust that is allowed  
19 to a real estate investment trust under Section  
20 857(b)(2)(B) of the Internal Revenue Code for  
21 dividends paid;

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

26 (E-17) For taxable years ending on or after



1 December 31, 2017, an amount equal to the deduction  
2 allowed under Section 199 of the Internal Revenue Code  
3 for the taxable year;

4 (E-18) for taxable years beginning after December  
5 31, 2018, an amount equal to the deduction allowed  
6 under Section 250(a)(1)(A) of the Internal Revenue  
7 Code for the taxable year.

8 and by deducting from the total so obtained the sum of the  
9 following amounts:

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

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

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

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

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

20                 (J) An amount equal to all amounts included in  
21          such total which are exempt from taxation by this  
22          State either by reason of its statutes or Constitution  
23          or by reason of the Constitution, treaties or statutes  
24          of the United States; provided that, in the case of any  
25          statute of this State that exempts income derived from  
26          bonds or other obligations from the tax imposed under

1           this Act, the amount exempted shall be the interest  
2           net of bond premium amortization;

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

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

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

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

17 (M-1) For any taxpayer that is a financial  
18 organization within the meaning of Section 304(c) of  
19 this Act, an amount included in such total as interest  
20 income from a loan or loans made by such taxpayer to a  
21 borrower, to the extent that such a loan is secured by  
22 property which is eligible for the High Impact  
23 Business Investment Credit. To determine the portion  
24 of a loan or loans that is secured by property eligible  
25 for a Section 201(h) investment credit to the  
26 borrower, the entire principal amount of the loan or

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

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

1 provisions of Section 250;

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

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

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

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

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

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

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

16 (T) 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 (T) is exempt from the provisions of  
25           Section 250;

26           (U) 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 (E-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 (E-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 (U) is exempt from the  
16 provisions of Section 250;

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

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

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

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

1           made for the same taxable year under Section  
2           203(b)(2)(E-13) for intangible expenses and costs  
3           paid, accrued, or incurred, directly or indirectly, to  
4           the same foreign person. This subparagraph (X) is  
5           exempt from the provisions of Section 250;

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

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

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

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

12 (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

1 of addition modification under this subparagraph  
2 (E) which related to that net operating loss and  
3 which was taken into account in calculating the  
4 base income of an earlier taxable year, and

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

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

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

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



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

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

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

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

26 The taxpayer is required to make the addition

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

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

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

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

23 (G-13) An amount equal to the amount of intangible  
24 expenses and costs otherwise allowed as a deduction in  
25 computing base income, and that were paid, accrued, or  
26 incurred, directly or indirectly, (i) for taxable

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

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

16 This paragraph shall not apply to the following:

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

24 (ii) any item of intangible expense or cost  
25 paid, accrued, or incurred, directly or  
26 indirectly, if the taxpayer can establish, based

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

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

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

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

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

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

6 (G-14) For taxable years ending on or after  
7 December 31, 2008, an amount equal to the amount of  
8 insurance premium expenses and costs otherwise allowed  
9 as a deduction in computing base income, and that were  
10 paid, accrued, or incurred, directly or indirectly, 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. The  
17 addition modification required by this subparagraph  
18 shall be reduced to the extent that dividends were  
19 included in base income of the unitary group for the  
20 same taxable year and received by the taxpayer or by a  
21 member of the taxpayer's unitary business group  
22 (including amounts included in gross income under  
23 Sections 951 through 964 of the Internal Revenue Code  
24 and amounts included in gross income under Section 78  
25 of the Internal Revenue Code) with respect to the  
26 stock of the same person to whom the premiums and costs



1           were directly or indirectly paid, incurred, or  
2           accrued. The preceding sentence does not apply to the  
3           extent that the same dividends caused a reduction to  
4           the addition modification required under Section  
5           203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this  
6           Act;

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

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

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

1           adopted pursuant thereto;

2                   (I) The valuation limitation amount;

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

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

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

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

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

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

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

1           this subparagraph (O);

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

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

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

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

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

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

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

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

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

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

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

1 modification under subparagraph (G-10), then an amount  
2 equal to that addition modification.

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

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

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

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

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

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

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



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

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

1 from Section 250;

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

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

23 (Z) For taxable years beginning after December 31,  
24 2018 and before January 1, 2026, the amount of excess  
25 business loss of the taxpayer disallowed as a  
26 deduction by Section 461(1)(1)(B) of the Internal

1 Revenue Code.

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

9 (d) Partnerships.

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

13 (2) Modifications. The taxable income referred to in  
14 paragraph (1) shall be modified by adding thereto the sum  
15 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 taxable income;

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

23 (C) The amount of deductions allowed to the  
24 partnership pursuant to Section 707 (c) of the  
25 Internal Revenue Code in calculating its taxable

1 income;

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

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

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

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 allowed in any taxable year to make a subtraction  
23 modification under subparagraph (O), then an amount  
24 equal to that subtraction modification.

25 The taxpayer is required to make the addition  
26 modification under this subparagraph only once with

1           respect to any one piece of property;

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

1           the same person to whom the interest was paid,  
2           accrued, or incurred.

3           This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

22          (D-8) An amount equal to the amount of intangible  
23          expenses and costs otherwise allowed as a deduction in  
24          computing base income, and that were paid, accrued, or  
25          incurred, directly or indirectly, (i) for taxable  
26          years ending on or after December 31, 2004, to a

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



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

15                 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

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

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

1 accrued. The preceding sentence does not apply to the  
2 extent that the same dividends caused a reduction to  
3 the addition modification required under Section  
4 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

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

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

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

15 (E) The valuation limitation amount;

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

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

1           this Act, the amount exempted shall be the interest  
2           net of bond premium amortization;

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

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

19          (J) With the exception of any amounts subtracted  
20          under subparagraph (G), 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 (K) 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 from a River Edge Redevelopment  
16 Zone or zones. This subparagraph (K) is exempt from  
17 the provisions of Section 250;

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

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

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

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

22               (2) for taxable years ending on or before  
23               December 31, 2005, "x" equals "y" multiplied by 30  
24               and then divided by 70 (or "y" multiplied by  
25               0.429); and

26               (3) for taxable years ending after December

1           31, 2005:

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

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

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

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

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



1 federal income tax purposes and for which the taxpayer  
2 was required in any taxable year to make an addition  
3 modification under subparagraph (D-5), then an amount  
4 equal to that addition modification.

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

8 This subparagraph (P) is exempt from the  
9 provisions of Section 250;

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

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

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

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

16 (T) For taxable years ending on or after December  
17 31, 2011, in the case of a taxpayer who was required to  
18 add back any insurance premiums under Section  
19 203(d)(2)(D-9), such taxpayer may elect to subtract  
20 that part of a reimbursement received from the  
21 insurance company equal to the amount of the expense  
22 or loss (including expenses incurred by the insurance  
23 company) that would have been taken into account as a  
24 deduction for federal income tax purposes if the  
25 expense or loss had been uninsured. If a taxpayer  
26 makes the election provided for by this subparagraph

1 (T), the insurer to which the premiums were paid must  
2 add back to income the amount subtracted by the  
3 taxpayer pursuant to this subparagraph (T). This  
4 subparagraph (T) is exempt from the provisions of  
5 Section 250.

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

7 (1) In general. Subject to the provisions of paragraph  
8 (2) and subsection (b)(3), for purposes of this Section  
9 and Section 803(e), a taxpayer's gross income, adjusted  
10 gross income, or taxable income for the taxable year shall  
11 mean the amount of gross income, adjusted gross income or  
12 taxable income properly reportable for federal income tax  
13 purposes for the taxable year under the provisions of the  
14 Internal Revenue Code. Taxable income may be less than  
15 zero. However, for taxable years ending on or after  
16 December 31, 1986, net operating loss carryforwards from  
17 taxable years ending prior to December 31, 1986, may not  
18 exceed the sum of federal taxable income for the taxable  
19 year before net operating loss deduction, plus the excess  
20 of addition modifications over subtraction modifications  
21 for the taxable year. For taxable years ending prior to  
22 December 31, 1986, taxable income may never be an amount  
23 in excess of the net operating loss for the taxable year as  
24 defined in subsections (c) and (d) of Section 172 of the  
25 Internal Revenue Code, provided that when taxable income

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

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

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

24 (B) Certain other insurance companies. In the case  
25 of mutual insurance companies subject to the tax  
26 imposed by Section 831 of the Internal Revenue Code,

1 insurance company taxable income;

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

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

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

23 (F) Cooperatives. In the case of a cooperative  
24 corporation or association, the taxable income of such  
25 organization determined in accordance with the  
26 provisions of Section 1381 through 1388 of the

1 Internal Revenue Code, but without regard to the  
2 prohibition against offsetting losses from patronage  
3 activities against income from nonpatronage  
4 activities; except that a cooperative corporation or  
5 association may make an election to follow its federal  
6 income tax treatment of patronage losses and  
7 nonpatronage losses. In the event such election is  
8 made, such losses shall be computed and carried over  
9 in a manner consistent with subsection (a) of Section  
10 207 of this Act and apportioned by the apportionment  
11 factor reported by the cooperative on its Illinois  
12 income tax return filed for the taxable year in which  
13 the losses are incurred. The election shall be  
14 effective for all taxable years with original returns  
15 due on or after the date of the election. In addition,  
16 the cooperative may file an amended return or returns,  
17 as allowed under this Act, to provide that the  
18 election shall be effective for losses incurred or  
19 carried forward for taxable years occurring prior to  
20 the date of the election. Once made, the election may  
21 only be revoked upon approval of the Director. The  
22 Department shall adopt rules setting forth  
23 requirements for documenting the elections and any  
24 resulting Illinois net loss and the standards to be  
25 used by the Director in evaluating requests to revoke  
26 elections. Public Act 96-932 is declaratory of

1 existing law;

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

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

26 (3) Recapture of business expenses on disposition of



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

17      (f) Valuation limitation amount.

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

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

1 plus

2 (B) The lesser of (i) the sum of the pre-August 1,  
3 1969 appreciation amounts (to the extent consisting of  
4 capital gain) for all property in respect of which  
5 such gain was reported for federal income tax purposes  
6 for the taxable year, or (ii) the net capital gain for  
7 the taxable year, reduced in either case by any amount  
8 of such gain included in the amount determined under  
9 subsection (a) (2) (F) or (c) (2) (H).

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

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

22 (B) If the fair market value of property referred  
23 to in paragraph (1) was not readily ascertainable on  
24 August 1, 1969, the pre-August 1, 1969 appreciation  
25 amount for such property is that amount which bears  
26 the same ratio to the total gain reported in respect of

1           the property for federal income tax purposes for the  
2           taxable year, as the number of full calendar months in  
3           that part of the taxpayer's holding period for the  
4           property ending July 31, 1969 bears to the number of  
5           full calendar months in the taxpayer's entire holding  
6           period for the property.

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

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

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

22         (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;  
23         101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

1 (35 ILCS 5/901)

2 (Text of Section without the changes made by P.A. 101-8,  
3 which did not take effect (see Section 99 of P.A. 101-8))

4 Sec. 901. Collection authority.

5 (a) In general. The Department shall collect the taxes  
6 imposed by this Act. The Department shall collect certified  
7 past due child support amounts under Section 2505-650 of the  
8 Department of Revenue Law of the Civil Administrative Code of  
9 Illinois. Except as provided in subsections (b), (c), (e),  
10 (f), (g), and (h) of this Section, money collected pursuant to  
11 subsections (a) and (b) of Section 201 of this Act shall be  
12 paid into the General Revenue Fund in the State treasury;  
13 money collected pursuant to subsections (c) and (d) of Section  
14 201 of this Act shall be paid into the Personal Property Tax  
15 Replacement Fund, a special fund in the State Treasury; and  
16 money collected under Section 2505-650 of the Department of  
17 Revenue Law of the Civil Administrative Code of Illinois shall  
18 be paid into the Child Support Enforcement Trust Fund, a  
19 special fund outside the State Treasury, or to the State  
20 Disbursement Unit established under Section 10-26 of the  
21 Illinois Public Aid Code, as directed by the Department of  
22 Healthcare and Family Services.

23 (b) Local Government Distributive Fund. Beginning August  
24 1, 2017, the Treasurer shall transfer each month from the  
25 General Revenue Fund to the Local Government Distributive Fund  
26 an amount equal to the sum of: (i) 6.06% (10% of the ratio of

1 the 3% individual income tax rate prior to 2011 to the 4.95%  
2 individual income tax rate after July 1, 2017) of the net  
3 revenue realized from the tax imposed by subsections (a) and  
4 (b) of Section 201 of this Act upon individuals, trusts, and  
5 estates during the preceding month; ~~and~~ (ii) 6.85% (10% of the  
6 ratio of the 4.8% corporate income tax rate prior to 2011 to  
7 the 7% corporate income tax rate after July 1, 2017) of the net  
8 revenue realized from the tax imposed by subsections (a) and  
9 (b) of Section 201 of this Act upon corporations during the  
10 preceding month; and (iii) beginning February 1, 2022, 6.06%  
11 of the net revenue realized from the tax imposed by subsection  
12 (p) of Section 201 of this Act upon electing pass-through  
13 entities. Net revenue realized for a month shall be defined as  
14 the revenue from the tax imposed by subsections (a) and (b) of  
15 Section 201 of this Act which is deposited in the General  
16 Revenue Fund, the Education Assistance Fund, the Income Tax  
17 Surcharge Local Government Distributive Fund, the Fund for the  
18 Advancement of Education, and the Commitment to Human Services  
19 Fund during the month minus the amount paid out of the General  
20 Revenue Fund in State warrants during that same month as  
21 refunds to taxpayers for overpayment of liability under the  
22 tax imposed by subsections (a) and (b) of Section 201 of this  
23 Act.

24 Notwithstanding any provision of law to the contrary,  
25 beginning on July 6, 2017 (the effective date of Public Act  
26 100-23), those amounts required under this subsection (b) to

1 be transferred by the Treasurer into the Local Government  
2 Distributive Fund from the General Revenue Fund shall be  
3 directly deposited into the Local Government Distributive Fund  
4 as the revenue is realized from the tax imposed by subsections  
5 (a) and (b) of Section 201 of this Act.

6 For State fiscal year 2020 only, notwithstanding any  
7 provision of law to the contrary, the total amount of revenue  
8 and deposits under this Section attributable to revenues  
9 realized during State fiscal year 2020 shall be reduced by 5%.

10 (c) Deposits Into Income Tax Refund Fund.

11 (1) Beginning on January 1, 1989 and thereafter, the  
12 Department shall deposit a percentage of the amounts  
13 collected pursuant to subsections (a) and (b) (1), (2), and  
14 (3) of Section 201 of this Act into a fund in the State  
15 treasury known as the Income Tax Refund Fund. Beginning  
16 with State fiscal year 1990 and for each fiscal year  
17 thereafter, the percentage deposited into the Income Tax  
18 Refund Fund during a fiscal year shall be the Annual  
19 Percentage. For fiscal year 2011, the Annual Percentage  
20 shall be 8.75%. For fiscal year 2012, the Annual  
21 Percentage shall be 8.75%. For fiscal year 2013, the  
22 Annual Percentage shall be 9.75%. For fiscal year 2014,  
23 the Annual Percentage shall be 9.5%. For fiscal year 2015,  
24 the Annual Percentage shall be 10%. For fiscal year 2018,  
25 the Annual Percentage shall be 9.8%. For fiscal year 2019,  
26 the Annual Percentage shall be 9.7%. For fiscal year 2020,

1 the Annual Percentage shall be 9.5%. For fiscal year 2021,  
2 the Annual Percentage shall be 9%. For all other fiscal  
3 years, the Annual Percentage shall be calculated as a  
4 fraction, the numerator of which shall be the amount of  
5 refunds approved for payment by the Department during the  
6 preceding fiscal year as a result of overpayment of tax  
7 liability under subsections (a) and (b)(1), (2), and (3)  
8 of Section 201 of this Act plus the amount of such refunds  
9 remaining approved but unpaid at the end of the preceding  
10 fiscal year, minus the amounts transferred into the Income  
11 Tax Refund Fund from the Tobacco Settlement Recovery Fund,  
12 and the denominator of which shall be the amounts which  
13 will be collected pursuant to subsections (a) and (b)(1),  
14 (2), and (3) of Section 201 of this Act during the  
15 preceding fiscal year; except that in State fiscal year  
16 2002, the Annual Percentage shall in no event exceed 7.6%.  
17 The Director of Revenue shall certify the Annual  
18 Percentage to the Comptroller on the last business day of  
19 the fiscal year immediately preceding the fiscal year for  
20 which it is to be effective.

21 (2) Beginning on January 1, 1989 and thereafter, the  
22 Department shall deposit a percentage of the amounts  
23 collected pursuant to subsections (a) and (b)(6), (7), and  
24 (8), (c) and (d) of Section 201 of this Act into a fund in  
25 the State treasury known as the Income Tax Refund Fund.  
26 Beginning with State fiscal year 1990 and for each fiscal

1 year thereafter, the percentage deposited into the Income  
2 Tax Refund Fund during a fiscal year shall be the Annual  
3 Percentage. For fiscal year 2011, the Annual Percentage  
4 shall be 17.5%. For fiscal year 2012, the Annual  
5 Percentage shall be 17.5%. For fiscal year 2013, the  
6 Annual Percentage shall be 14%. For fiscal year 2014, the  
7 Annual Percentage shall be 13.4%. For fiscal year 2015,  
8 the Annual Percentage shall be 14%. For fiscal year 2018,  
9 the Annual Percentage shall be 17.5%. For fiscal year  
10 2019, the Annual Percentage shall be 15.5%. For fiscal  
11 year 2020, the Annual Percentage shall be 14.25%. For  
12 fiscal year 2021, the Annual Percentage shall be 14%. For  
13 all other fiscal years, the Annual Percentage shall be  
14 calculated as a fraction, the numerator of which shall be  
15 the amount of refunds approved for payment by the  
16 Department during the preceding fiscal year as a result of  
17 overpayment of tax liability under subsections (a) and  
18 (b) (6), (7), and (8), (c) and (d) of Section 201 of this  
19 Act plus the amount of such refunds remaining approved but  
20 unpaid at the end of the preceding fiscal year, and the  
21 denominator of which shall be the amounts which will be  
22 collected pursuant to subsections (a) and (b) (6), (7), and  
23 (8), (c) and (d) of Section 201 of this Act during the  
24 preceding fiscal year; except that in State fiscal year  
25 2002, the Annual Percentage shall in no event exceed 23%.  
26 The Director of Revenue shall certify the Annual



1 Percentage to the Comptroller on the last business day of  
2 the fiscal year immediately preceding the fiscal year for  
3 which it is to be effective.

4 (3) The Comptroller shall order transferred and the  
5 Treasurer shall transfer from the Tobacco Settlement  
6 Recovery Fund to the Income Tax Refund Fund (i)  
7 \$35,000,000 in January, 2001, (ii) \$35,000,000 in January,  
8 2002, and (iii) \$35,000,000 in January, 2003.

9 (d) Expenditures from Income Tax Refund Fund.

10 (1) Beginning January 1, 1989, money in the Income Tax  
11 Refund Fund shall be expended exclusively for the purpose  
12 of paying refunds resulting from overpayment of tax  
13 liability under Section 201 of this Act and for making  
14 transfers pursuant to this subsection (d).

15 (2) The Director shall order payment of refunds  
16 resulting from overpayment of tax liability under Section  
17 201 of this Act from the Income Tax Refund Fund only to the  
18 extent that amounts collected pursuant to Section 201 of  
19 this Act and transfers pursuant to this subsection (d) and  
20 item (3) of subsection (c) have been deposited and  
21 retained in the Fund.

22 (3) As soon as possible after the end of each fiscal  
23 year, the Director shall order transferred and the State  
24 Treasurer and State Comptroller shall transfer from the  
25 Income Tax Refund Fund to the Personal Property Tax  
26 Replacement Fund an amount, certified by the Director to

1 the Comptroller, equal to the excess of the amount  
2 collected pursuant to subsections (c) and (d) of Section  
3 201 of this Act deposited into the Income Tax Refund Fund  
4 during the fiscal year over the amount of refunds  
5 resulting from overpayment of tax liability under  
6 subsections (c) and (d) of Section 201 of this Act paid  
7 from the Income Tax Refund Fund during the fiscal year.

8 (4) As soon as possible after the end of each fiscal  
9 year, the Director shall order transferred and the State  
10 Treasurer and State Comptroller shall transfer from the  
11 Personal Property Tax Replacement Fund to the Income Tax  
12 Refund Fund an amount, certified by the Director to the  
13 Comptroller, equal to the excess of the amount of refunds  
14 resulting from overpayment of tax liability under  
15 subsections (c) and (d) of Section 201 of this Act paid  
16 from the Income Tax Refund Fund during the fiscal year  
17 over the amount collected pursuant to subsections (c) and  
18 (d) of Section 201 of this Act deposited into the Income  
19 Tax Refund Fund during the fiscal year.

20 (4.5) As soon as possible after the end of fiscal year  
21 1999 and of each fiscal year thereafter, the Director  
22 shall order transferred and the State Treasurer and State  
23 Comptroller shall transfer from the Income Tax Refund Fund  
24 to the General Revenue Fund any surplus remaining in the  
25 Income Tax Refund Fund as of the end of such fiscal year;  
26 excluding for fiscal years 2000, 2001, and 2002 amounts

1           attributable to transfers under item (3) of subsection (c)  
2           less refunds resulting from the earned income tax credit.

3           (5) This Act shall constitute an irrevocable and  
4           continuing appropriation from the Income Tax Refund Fund  
5           for the purpose of paying refunds upon the order of the  
6           Director in accordance with the provisions of this  
7           Section.

8           (e) Deposits into the Education Assistance Fund and the  
9           Income Tax Surcharge Local Government Distributive Fund. On  
10          July 1, 1991, and thereafter, of the amounts collected  
11          pursuant to subsections (a) and (b) of Section 201 of this Act,  
12          minus deposits into the Income Tax Refund Fund, the Department  
13          shall deposit 7.3% into the Education Assistance Fund in the  
14          State Treasury. Beginning July 1, 1991, and continuing through  
15          January 31, 1993, of the amounts collected pursuant to  
16          subsections (a) and (b) of Section 201 of the Illinois Income  
17          Tax Act, minus deposits into the Income Tax Refund Fund, the  
18          Department shall deposit 3.0% into the Income Tax Surcharge  
19          Local Government Distributive Fund in the State Treasury.  
20          Beginning February 1, 1993 and continuing through June 30,  
21          1993, of the amounts collected pursuant to subsections (a) and  
22          (b) of Section 201 of the Illinois Income Tax Act, minus  
23          deposits into the Income Tax Refund Fund, the Department shall  
24          deposit 4.4% into the Income Tax Surcharge Local Government  
25          Distributive Fund in the State Treasury. Beginning July 1,  
26          1993, and continuing through June 30, 1994, of the amounts

1 collected under subsections (a) and (b) of Section 201 of this  
2 Act, minus deposits into the Income Tax Refund Fund, the  
3 Department shall deposit 1.475% into the Income Tax Surcharge  
4 Local Government Distributive Fund in the State Treasury.

5 (f) Deposits into the Fund for the Advancement of  
6 Education. Beginning February 1, 2015, the Department shall  
7 deposit the following portions of the revenue realized from  
8 the tax imposed upon individuals, trusts, and estates by  
9 subsections (a) and (b) of Section 201 of this Act, minus  
10 deposits into the Income Tax Refund Fund, into the Fund for the  
11 Advancement of Education:

12 (1) beginning February 1, 2015, and prior to February  
13 1, 2025, 1/30; and

14 (2) beginning February 1, 2025, 1/26.

15 If the rate of tax imposed by subsection (a) and (b) of  
16 Section 201 is reduced pursuant to Section 201.5 of this Act,  
17 the Department shall not make the deposits required by this  
18 subsection (f) on or after the effective date of the  
19 reduction.

20 (g) Deposits into the Commitment to Human Services Fund.  
21 Beginning February 1, 2015, the Department shall deposit the  
22 following portions of the revenue realized from the tax  
23 imposed upon individuals, trusts, and estates by subsections  
24 (a) and (b) of Section 201 of this Act, minus deposits into the  
25 Income Tax Refund Fund, into the Commitment to Human Services  
26 Fund:

1           (1) beginning February 1, 2015, and prior to February  
2           1, 2025, 1/30; and

3           (2) beginning February 1, 2025, 1/26.

4           If the rate of tax imposed by subsection (a) and (b) of  
5           Section 201 is reduced pursuant to Section 201.5 of this Act,  
6           the Department shall not make the deposits required by this  
7           subsection (g) on or after the effective date of the  
8           reduction.

9           (h) Deposits into the Tax Compliance and Administration  
10          Fund. Beginning on the first day of the first calendar month to  
11          occur on or after August 26, 2014 (the effective date of Public  
12          Act 98-1098), each month the Department shall pay into the Tax  
13          Compliance and Administration Fund, to be used, subject to  
14          appropriation, to fund additional auditors and compliance  
15          personnel at the Department, an amount equal to 1/12 of 5% of  
16          the cash receipts collected during the preceding fiscal year  
17          by the Audit Bureau of the Department from the tax imposed by  
18          subsections (a), (b), (c), and (d) of Section 201 of this Act,  
19          net of deposits into the Income Tax Refund Fund made from those  
20          cash receipts.

21          (Source: P.A. 100-22, eff. 7-6-17; 100-23, eff. 7-6-17;  
22          100-587, eff. 6-4-18; 100-621, eff. 7-20-18; 100-863, eff.  
23          8-14-18; 100-1171, eff. 1-4-19; 101-10, eff. 6-5-19; 101-81,  
24          eff. 7-12-19; 101-636, eff. 6-10-20.)

25          (Text of Section with the changes made by P.A. 101-8,

1 which did not take effect (see Section 99 of P.A. 101-8))

2 Sec. 901. Collection authority.

3 (a) In general. The Department shall collect the taxes  
4 imposed by this Act. The Department shall collect certified  
5 past due child support amounts under Section 2505-650 of the  
6 Department of Revenue Law of the Civil Administrative Code of  
7 Illinois. Except as provided in subsections (b), (c), (e),  
8 (f), (g), and (h) of this Section, money collected pursuant to  
9 subsections (a) and (b) of Section 201 of this Act shall be  
10 paid into the General Revenue Fund in the State treasury;  
11 money collected pursuant to subsections (c) and (d) of Section  
12 201 of this Act shall be paid into the Personal Property Tax  
13 Replacement Fund, a special fund in the State Treasury; and  
14 money collected under Section 2505-650 of the Department of  
15 Revenue Law of the Civil Administrative Code of Illinois shall  
16 be paid into the Child Support Enforcement Trust Fund, a  
17 special fund outside the State Treasury, or to the State  
18 Disbursement Unit established under Section 10-26 of the  
19 Illinois Public Aid Code, as directed by the Department of  
20 Healthcare and Family Services.

21 (b) Local Government Distributive Fund. Beginning August  
22 1, 2017 ~~and continuing through January 31, 2021~~, the Treasurer  
23 shall transfer each month from the General Revenue Fund to the  
24 Local Government Distributive Fund an amount equal to the sum  
25 of: (i) 6.06% (10% of the ratio of the 3% individual income tax  
26 rate prior to 2011 to the 4.95% individual income tax rate

1 after July 1, 2017) of the net revenue realized from the tax  
2 imposed by subsections (a) and (b) of Section 201 of this Act  
3 upon individuals, trusts, and estates during the preceding  
4 month; ~~and~~ (ii) 6.85% (10% of the ratio of the 4.8% corporate  
5 income tax rate prior to 2011 to the 7% corporate income tax  
6 rate after July 1, 2017) of the net revenue realized from the  
7 tax imposed by subsections (a) and (b) of Section 201 of this  
8 Act upon corporations during the preceding month; and (iii)  
9 beginning February 1, 2022, 6.06% of the net revenue realized  
10 from the tax imposed by subsection (p) of Section 201 of this  
11 Act upon electing pass-through entities. Beginning February 1,  
12 ~~2021, the Treasurer shall transfer each month from the General~~  
13 ~~Revenue Fund to the Local Government Distributive Fund an~~  
14 ~~amount equal to the sum of (i) 5.32% of the net revenue~~  
15 ~~realized from the tax imposed by subsections (a) and (b) of~~  
16 ~~Section 201 of this Act upon individuals, trusts, and estates~~  
17 ~~during the preceding month and (ii) 6.16% of the net revenue~~  
18 ~~realized from the tax imposed by subsections (a) and (b) of~~  
19 ~~Section 201 of this Act upon corporations during the preceding~~  
20 ~~month.~~ Net revenue realized for a month shall be defined as the  
21 revenue from the tax imposed by subsections (a) and (b) of  
22 Section 201 of this Act which is deposited in the General  
23 Revenue Fund, the Education Assistance Fund, the Income Tax  
24 Surcharge Local Government Distributive Fund, the Fund for the  
25 Advancement of Education, and the Commitment to Human Services  
26 Fund during the month minus the amount paid out of the General

1 Revenue Fund in State warrants during that same month as  
2 refunds to taxpayers for overpayment of liability under the  
3 tax imposed by subsections (a) and (b) of Section 201 of this  
4 Act.

5 Notwithstanding any provision of law to the contrary,  
6 beginning on July 6, 2017 (the effective date of Public Act  
7 100-23), those amounts required under this subsection (b) to  
8 be transferred by the Treasurer into the Local Government  
9 Distributive Fund from the General Revenue Fund shall be  
10 directly deposited into the Local Government Distributive Fund  
11 as the revenue is realized from the tax imposed by subsections  
12 (a) and (b) of Section 201 of this Act.

13 For State fiscal year 2020 only, notwithstanding any  
14 provision of law to the contrary, the total amount of revenue  
15 and deposits under this Section attributable to revenues  
16 realized during State fiscal year 2020 shall be reduced by 5%.

17 (c) Deposits Into Income Tax Refund Fund.

18 (1) Beginning on January 1, 1989 and thereafter, the  
19 Department shall deposit a percentage of the amounts  
20 collected pursuant to subsections (a) and (b)(1), (2), and  
21 (3) of Section 201 of this Act into a fund in the State  
22 treasury known as the Income Tax Refund Fund. Beginning  
23 with State fiscal year 1990 and for each fiscal year  
24 thereafter, the percentage deposited into the Income Tax  
25 Refund Fund during a fiscal year shall be the Annual  
26 Percentage. For fiscal year 2011, the Annual Percentage



1 shall be 8.75%. For fiscal year 2012, the Annual  
2 Percentage shall be 8.75%. For fiscal year 2013, the  
3 Annual Percentage shall be 9.75%. For fiscal year 2014,  
4 the Annual Percentage shall be 9.5%. For fiscal year 2015,  
5 the Annual Percentage shall be 10%. For fiscal year 2018,  
6 the Annual Percentage shall be 9.8%. For fiscal year 2019,  
7 the Annual Percentage shall be 9.7%. For fiscal year 2020,  
8 the Annual Percentage shall be 9.5%. For fiscal year 2021,  
9 the Annual Percentage shall be 9%. For all other fiscal  
10 years, the Annual Percentage shall be calculated as a  
11 fraction, the numerator of which shall be the amount of  
12 refunds approved for payment by the Department during the  
13 preceding fiscal year as a result of overpayment of tax  
14 liability under subsections (a) and (b) (1), (2), and (3)  
15 of Section 201 of this Act plus the amount of such refunds  
16 remaining approved but unpaid at the end of the preceding  
17 fiscal year, minus the amounts transferred into the Income  
18 Tax Refund Fund from the Tobacco Settlement Recovery Fund,  
19 and the denominator of which shall be the amounts which  
20 will be collected pursuant to subsections (a) and (b) (1),  
21 (2), and (3) of Section 201 of this Act during the  
22 preceding fiscal year; except that in State fiscal year  
23 2002, the Annual Percentage shall in no event exceed 7.6%.  
24 The Director of Revenue shall certify the Annual  
25 Percentage to the Comptroller on the last business day of  
26 the fiscal year immediately preceding the fiscal year for

1 which it is to be effective.

2 (2) Beginning on January 1, 1989 and thereafter, the  
3 Department shall deposit a percentage of the amounts  
4 collected pursuant to subsections (a) and (b) (6), (7), and  
5 (8), (c) and (d) of Section 201 of this Act into a fund in  
6 the State treasury known as the Income Tax Refund Fund.  
7 Beginning with State fiscal year 1990 and for each fiscal  
8 year thereafter, the percentage deposited into the Income  
9 Tax Refund Fund during a fiscal year shall be the Annual  
10 Percentage. For fiscal year 2011, the Annual Percentage  
11 shall be 17.5%. For fiscal year 2012, the Annual  
12 Percentage shall be 17.5%. For fiscal year 2013, the  
13 Annual Percentage shall be 14%. For fiscal year 2014, the  
14 Annual Percentage shall be 13.4%. For fiscal year 2015,  
15 the Annual Percentage shall be 14%. For fiscal year 2018,  
16 the Annual Percentage shall be 17.5%. For fiscal year  
17 2019, the Annual Percentage shall be 15.5%. For fiscal  
18 year 2020, the Annual Percentage shall be 14.25%. For  
19 fiscal year 2021, the Annual Percentage shall be 14%. For  
20 all other fiscal years, the Annual Percentage shall be  
21 calculated as a fraction, the numerator of which shall be  
22 the amount of refunds approved for payment by the  
23 Department during the preceding fiscal year as a result of  
24 overpayment of tax liability under subsections (a) and  
25 (b) (6), (7), and (8), (c) and (d) of Section 201 of this  
26 Act plus the amount of such refunds remaining approved but

1           unpaid at the end of the preceding fiscal year, and the  
2           denominator of which shall be the amounts which will be  
3           collected pursuant to subsections (a) and (b)(6), (7), and  
4           (8), (c) and (d) of Section 201 of this Act during the  
5           preceding fiscal year; except that in State fiscal year  
6           2002, the Annual Percentage shall in no event exceed 23%.  
7           The Director of Revenue shall certify the Annual  
8           Percentage to the Comptroller on the last business day of  
9           the fiscal year immediately preceding the fiscal year for  
10          which it is to be effective.

11           (3) The Comptroller shall order transferred and the  
12          Treasurer shall transfer from the Tobacco Settlement  
13          Recovery Fund to the Income Tax Refund Fund (i)  
14          \$35,000,000 in January, 2001, (ii) \$35,000,000 in January,  
15          2002, and (iii) \$35,000,000 in January, 2003.

16          (d) Expenditures from Income Tax Refund Fund.

17           (1) Beginning January 1, 1989, money in the Income Tax  
18          Refund Fund shall be expended exclusively for the purpose  
19          of paying refunds resulting from overpayment of tax  
20          liability under Section 201 of this Act and for making  
21          transfers pursuant to this subsection (d).

22           (2) The Director shall order payment of refunds  
23          resulting from overpayment of tax liability under Section  
24          201 of this Act from the Income Tax Refund Fund only to the  
25          extent that amounts collected pursuant to Section 201 of  
26          this Act and transfers pursuant to this subsection (d) and

1 item (3) of subsection (c) have been deposited and  
2 retained in the Fund.

3 (3) As soon as possible after the end of each fiscal  
4 year, the Director shall order transferred and the State  
5 Treasurer and State Comptroller shall transfer from the  
6 Income Tax Refund Fund to the Personal Property Tax  
7 Replacement Fund an amount, certified by the Director to  
8 the Comptroller, equal to the excess of the amount  
9 collected pursuant to subsections (c) and (d) of Section  
10 201 of this Act deposited into the Income Tax Refund Fund  
11 during the fiscal year over the amount of refunds  
12 resulting from overpayment of tax liability under  
13 subsections (c) and (d) of Section 201 of this Act paid  
14 from the Income Tax Refund Fund during the fiscal year.

15 (4) As soon as possible after the end of each fiscal  
16 year, the Director shall order transferred and the State  
17 Treasurer and State Comptroller shall transfer from the  
18 Personal Property Tax Replacement Fund to the Income Tax  
19 Refund Fund an amount, certified by the Director to the  
20 Comptroller, equal to the excess of the amount of refunds  
21 resulting from overpayment of tax liability under  
22 subsections (c) and (d) of Section 201 of this Act paid  
23 from the Income Tax Refund Fund during the fiscal year  
24 over the amount collected pursuant to subsections (c) and  
25 (d) of Section 201 of this Act deposited into the Income  
26 Tax Refund Fund during the fiscal year.

1           (4.5) As soon as possible after the end of fiscal year  
2           1999 and of each fiscal year thereafter, the Director  
3           shall order transferred and the State Treasurer and State  
4           Comptroller shall transfer from the Income Tax Refund Fund  
5           to the General Revenue Fund any surplus remaining in the  
6           Income Tax Refund Fund as of the end of such fiscal year;  
7           excluding for fiscal years 2000, 2001, and 2002 amounts  
8           attributable to transfers under item (3) of subsection (c)  
9           less refunds resulting from the earned income tax credit.

10           (5) This Act shall constitute an irrevocable and  
11           continuing appropriation from the Income Tax Refund Fund  
12           for the purpose of paying refunds upon the order of the  
13           Director in accordance with the provisions of this  
14           Section.

15           (e) Deposits into the Education Assistance Fund and the  
16           Income Tax Surcharge Local Government Distributive Fund. On  
17           July 1, 1991, and thereafter, of the amounts collected  
18           pursuant to subsections (a) and (b) of Section 201 of this Act,  
19           minus deposits into the Income Tax Refund Fund, the Department  
20           shall deposit 7.3% into the Education Assistance Fund in the  
21           State Treasury. Beginning July 1, 1991, and continuing through  
22           January 31, 1993, of the amounts collected pursuant to  
23           subsections (a) and (b) of Section 201 of the Illinois Income  
24           Tax Act, minus deposits into the Income Tax Refund Fund, the  
25           Department shall deposit 3.0% into the Income Tax Surcharge  
26           Local Government Distributive Fund in the State Treasury.

1 Beginning February 1, 1993 and continuing through June 30,  
2 1993, of the amounts collected pursuant to subsections (a) and  
3 (b) of Section 201 of the Illinois Income Tax Act, minus  
4 deposits into the Income Tax Refund Fund, the Department shall  
5 deposit 4.4% into the Income Tax Surcharge Local Government  
6 Distributive Fund in the State Treasury. Beginning July 1,  
7 1993, and continuing through June 30, 1994, of the amounts  
8 collected under subsections (a) and (b) of Section 201 of this  
9 Act, minus deposits into the Income Tax Refund Fund, the  
10 Department shall deposit 1.475% into the Income Tax Surcharge  
11 Local Government Distributive Fund in the State Treasury.

12 (f) Deposits into the Fund for the Advancement of  
13 Education. Beginning February 1, 2015, the Department shall  
14 deposit the following portions of the revenue realized from  
15 the tax imposed upon individuals, trusts, and estates by  
16 subsections (a) and (b) of Section 201 of this Act, minus  
17 deposits into the Income Tax Refund Fund, into the Fund for the  
18 Advancement of Education:

19 (1) beginning February 1, 2015, and prior to February  
20 1, 2025, 1/30; and

21 (2) beginning February 1, 2025, 1/26.

22 If the rate of tax imposed by subsection (a) and (b) of  
23 Section 201 is reduced pursuant to Section 201.5 of this Act,  
24 the Department shall not make the deposits required by this  
25 subsection (f) on or after the effective date of the  
26 reduction.

1           (g) Deposits into the Commitment to Human Services Fund.  
2           Beginning February 1, 2015, the Department shall deposit the  
3           following portions of the revenue realized from the tax  
4           imposed upon individuals, trusts, and estates by subsections  
5           (a) and (b) of Section 201 of this Act, minus deposits into the  
6           Income Tax Refund Fund, into the Commitment to Human Services  
7           Fund:

8                   (1) beginning February 1, 2015, and prior to February  
9                   1, 2025, 1/30; and

10                   (2) beginning February 1, 2025, 1/26.

11           If the rate of tax imposed by subsection (a) and (b) of  
12           Section 201 is reduced pursuant to Section 201.5 of this Act,  
13           the Department shall not make the deposits required by this  
14           subsection (g) on or after the effective date of the  
15           reduction.

16           (h) Deposits into the Tax Compliance and Administration  
17           Fund. Beginning on the first day of the first calendar month to  
18           occur on or after August 26, 2014 (the effective date of Public  
19           Act 98-1098), each month the Department shall pay into the Tax  
20           Compliance and Administration Fund, to be used, subject to  
21           appropriation, to fund additional auditors and compliance  
22           personnel at the Department, an amount equal to 1/12 of 5% of  
23           the cash receipts collected during the preceding fiscal year  
24           by the Audit Bureau of the Department from the tax imposed by  
25           subsections (a), (b), (c), and (d) of Section 201 of this Act,  
26           net of deposits into the Income Tax Refund Fund made from those

1 cash receipts.

2 (Source: P.A. 100-22, eff. 7-6-17; 100-23, eff. 7-6-17;  
3 100-587, eff. 6-4-18; 100-621, eff. 7-20-18; 100-863, eff.  
4 8-14-18; 100-1171, eff. 1-4-19; 101-8, see Section 99 for  
5 effective date; 101-10, eff. 6-5-19; 101-81, eff. 7-12-19;  
6 101-636, eff. 6-10-20.)

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