



Sen. Win Stoller

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10200SB2531sam001

LRB102 15312 HLH 24505 a

1 AMENDMENT TO SENATE BILL 2531

2 AMENDMENT NO. _____. Amend Senate Bill 2531 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 201, 203, 502, 601, 709.5, and 1501 as
6 follows:

7 (35 ILCS 5/201)

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

10 Sec. 201. Tax imposed.

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

1 corporation or political subdivision thereof.

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

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

9 (2) In the case of an individual, trust or estate, for
10 taxable years beginning prior to July 1, 1989 and ending
11 after June 30, 1989, an amount equal to the sum of (i) 2
12 1/2% of the taxpayer's net income for the period prior to
13 July 1, 1989, as calculated under Section 202.3, and (ii)
14 3% of the taxpayer's net income for the period after June
15 30, 1989, as calculated under Section 202.3.

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

20 (4) In the case of an individual, trust, or estate,
21 for taxable years beginning prior to January 1, 2011, and
22 ending after December 31, 2010, an amount equal to the sum
23 of (i) 3% of the taxpayer's net income for the period prior
24 to January 1, 2011, as calculated under Section 202.5, and
25 (ii) 5% of the taxpayer's net income for the period after
26 December 31, 2010, as calculated under Section 202.5.

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

5 (5.1) In the case of an individual, trust, or estate,
6 for taxable years beginning prior to January 1, 2015, and
7 ending after December 31, 2014, an amount equal to the sum
8 of (i) 5% of the taxpayer's net income for the period prior
9 to January 1, 2015, as calculated under Section 202.5, and
10 (ii) 3.75% of the taxpayer's net income for the period
11 after December 31, 2014, as calculated under Section
12 202.5.

13 (5.2) In the case of an individual, trust, or estate,
14 for taxable years beginning on or after January 1, 2015,
15 and ending prior to July 1, 2017, an amount equal to 3.75%
16 of the taxpayer's net income for the taxable year.

17 (5.3) In the case of an individual, trust, or estate,
18 for taxable years beginning prior to July 1, 2017, and
19 ending after June 30, 2017, an amount equal to the sum of
20 (i) 3.75% of the taxpayer's net income for the period
21 prior to July 1, 2017, as calculated under Section 202.5,
22 and (ii) 4.95% of the taxpayer's net income for the period
23 after June 30, 2017, as calculated under Section 202.5.

24 (5.4) In the case of an individual, trust, or estate,
25 for taxable years beginning on or after July 1, 2017, an
26 amount equal to 4.95% of the taxpayer's net income for the

1 taxable year.

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

5 (7) In the case of a corporation, for taxable years
6 beginning prior to July 1, 1989 and ending after June 30,
7 1989, an amount equal to the sum of (i) 4% of the
8 taxpayer's net income for the period prior to July 1,
9 1989, as calculated under Section 202.3, and (ii) 4.8% of
10 the taxpayer's net income for the period after June 30,
11 1989, as calculated under Section 202.3.

12 (8) In the case of a corporation, for taxable years
13 beginning after June 30, 1989, and ending prior to January
14 1, 2011, an amount equal to 4.8% of the taxpayer's net
15 income for the taxable year.

16 (9) In the case of a corporation, for taxable years
17 beginning prior to January 1, 2011, and ending after
18 December 31, 2010, an amount equal to the sum of (i) 4.8%
19 of the taxpayer's net income for the period prior to
20 January 1, 2011, as calculated under Section 202.5, and
21 (ii) 7% of the taxpayer's net income for the period after
22 December 31, 2010, as calculated under Section 202.5.

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

1 (11) In the case of a corporation, for taxable years
2 beginning prior to January 1, 2015, and ending after
3 December 31, 2014, an amount equal to the sum of (i) 7% of
4 the taxpayer's net income for the period prior to January
5 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
6 of the taxpayer's net income for the period after December
7 31, 2014, as calculated under Section 202.5.

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

12 (13) In the case of a corporation, for taxable years
13 beginning prior to July 1, 2017, and ending after June 30,
14 2017, an amount equal to the sum of (i) 5.25% of the
15 taxpayer's net income for the period prior to July 1,
16 2017, as calculated under Section 202.5, and (ii) 7% of
17 the taxpayer's net income for the period after June 30,
18 2017, as calculated under Section 202.5.

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

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

24 (b-5) Surcharge; sale or exchange of assets, properties,
25 and intangibles of organization gaming licensees. For each of
26 taxable years 2019 through 2027, a surcharge is imposed on all

1 taxpayers on income arising from the sale or exchange of
2 capital assets, depreciable business property, real property
3 used in the trade or business, and Section 197 intangibles (i)
4 of an organization licensee under the Illinois Horse Racing
5 Act of 1975 and (ii) of an organization gaming licensee under
6 the Illinois Gambling Act. The amount of the surcharge is
7 equal to the amount of federal income tax liability for the
8 taxable year attributable to those sales and exchanges. The
9 surcharge imposed shall not apply if:

10 (1) the organization gaming license, organization
11 license, or racetrack property is transferred as a result
12 of any of the following:

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

17 (B) cancellation, revocation, or termination of
18 any such license by the Illinois Gaming Board or the
19 Illinois Racing Board;

20 (C) a determination by the Illinois Gaming Board
21 that transfer of the license is in the best interests
22 of Illinois gaming;

23 (D) the death of an owner of the equity interest in
24 a licensee;

25 (E) the acquisition of a controlling interest in
26 the stock or substantially all of the assets of a

1 publicly traded company;

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

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

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

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

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

24 (c) Personal Property Tax Replacement Income Tax.
25 Beginning on July 1, 1979 and thereafter, in addition to such
26 income tax, there is also hereby imposed the Personal Property

1 Tax Replacement Income Tax measured by net income on every
2 corporation (including Subchapter S corporations), partnership
3 and trust, for each taxable year ending after June 30, 1979.
4 Such taxes are imposed on the privilege of earning or
5 receiving income in or as a resident of this State. The
6 Personal Property Tax Replacement Income Tax shall be in
7 addition to the income tax imposed by subsections (a) and (b)
8 of this Section and in addition to all other occupation or
9 privilege taxes imposed by this State or by any municipal
10 corporation or political subdivision thereof.

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

23 (d-1) Rate reduction for certain foreign insurers. In the
24 case of a foreign insurer, as defined by Section 35A-5 of the
25 Illinois Insurance Code, whose state or country of domicile
26 imposes on insurers domiciled in Illinois a retaliatory tax

1 (excluding any insurer whose premiums from reinsurance assumed
2 are 50% or more of its total insurance premiums as determined
3 under paragraph (2) of subsection (b) of Section 304, except
4 that for purposes of this determination premiums from
5 reinsurance do not include premiums from inter-affiliate
6 reinsurance arrangements), beginning with taxable years ending
7 on or after December 31, 1999, the sum of the rates of tax
8 imposed by subsections (b) and (d) shall be reduced (but not
9 increased) to the rate at which the total amount of tax imposed
10 under this Act, net of all credits allowed under this Act,
11 shall equal (i) the total amount of tax that would be imposed
12 on the foreign insurer's net income allocable to Illinois for
13 the taxable year by such foreign insurer's state or country of
14 domicile if that net income were subject to all income taxes
15 and taxes measured by net income imposed by such foreign
16 insurer's state or country of domicile, net of all credits
17 allowed or (ii) a rate of zero if no such tax is imposed on
18 such income by the foreign insurer's state of domicile. For
19 the purposes of this subsection (d-1), an inter-affiliate
20 includes a mutual insurer under common management.

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

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

1 (B) the privilege tax imposed by Section 409 of
2 the Illinois Insurance Code, the fire insurance
3 company tax imposed by Section 12 of the Fire
4 Investigation Act, and the fire department taxes
5 imposed under Section 11-10-1 of the Illinois
6 Municipal Code,
7 equals 1.25% for taxable years ending prior to December
8 31, 2003, or 1.75% for taxable years ending on or after
9 December 31, 2003, of the net taxable premiums written for
10 the taxable year, as described by subsection (1) of
11 Section 409 of the Illinois Insurance Code. This paragraph
12 will in no event increase the rates imposed under
13 subsections (b) and (d).

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

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

23 (d-2) For taxable years beginning on or after January 1,
24 2021, a partnership or Subchapter S corporation may elect to
25 pay a tax that is imposed on the partnership or Subchapter S
26 corporation. This tax is computed by multiplying each

1 pass-through owner's share of business income apportionable to
2 Illinois and nonbusiness income allocated to Illinois under
3 Section 303 of this Act, if this share is not a net loss, by
4 the applicable rates of tax for that pass-through owner under
5 subsections (a) through (d) of this Section, and taking the
6 sum of these amounts. This election shall be made on the
7 partnership's or Subchapter S corporation's return filed under
8 Section 502 in such manner as the Department may prescribe.

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

12 (1) A taxpayer shall be allowed a credit equal to .5%
13 of the basis of qualified property placed in service
14 during the taxable year, provided such property is placed
15 in service on or after July 1, 1984. There shall be allowed
16 an additional credit equal to .5% of the basis of
17 qualified property placed in service during the taxable
18 year, provided such property is placed in service on or
19 after July 1, 1986, and the taxpayer's base employment
20 within Illinois has increased by 1% or more over the
21 preceding year as determined by the taxpayer's employment
22 records filed with the Illinois Department of Employment
23 Security. Taxpayers who are new to Illinois shall be
24 deemed to have met the 1% growth in base employment for the
25 first year in which they file employment records with the
26 Illinois Department of Employment Security. The provisions

1 added to this Section by Public Act 85-1200 (and restored
2 by Public Act 87-895) shall be construed as declaratory of
3 existing law and not as a new enactment. If, in any year,
4 the increase in base employment within Illinois over the
5 preceding year is less than 1%, the additional credit
6 shall be limited to that percentage times a fraction, the
7 numerator of which is .5% and the denominator of which is
8 1%, but shall not exceed .5%. The investment credit shall
9 not be allowed to the extent that it would reduce a
10 taxpayer's liability in any tax year below zero, nor may
11 any credit for qualified property be allowed for any year
12 other than the year in which the property was placed in
13 service in Illinois. For tax years ending on or after
14 December 31, 1987, and on or before December 31, 1988, the
15 credit shall be allowed for the tax year in which the
16 property is placed in service, or, if the amount of the
17 credit exceeds the tax liability for that year, whether it
18 exceeds the original liability or the liability as later
19 amended, such excess may be carried forward and applied to
20 the tax liability of the 5 taxable years following the
21 excess credit years if the taxpayer (i) makes investments
22 which cause the creation of a minimum of 2,000 full-time
23 equivalent jobs in Illinois, (ii) is located in an
24 enterprise zone established pursuant to the Illinois
25 Enterprise Zone Act and (iii) is certified by the
26 Department of Commerce and Community Affairs (now

1 Department of Commerce and Economic Opportunity) as
2 complying with the requirements specified in clause (i)
3 and (ii) by July 1, 1986. The Department of Commerce and
4 Community Affairs (now Department of Commerce and Economic
5 Opportunity) shall notify the Department of Revenue of all
6 such certifications immediately. For tax years ending
7 after December 31, 1988, the credit shall be allowed for
8 the tax year in which the property is placed in service,
9 or, if the amount of the credit exceeds the tax liability
10 for that year, whether it exceeds the original liability
11 or the liability as later amended, such excess may be
12 carried forward and applied to the tax liability of the 5
13 taxable years following the excess credit years. The
14 credit shall be applied to the earliest year for which
15 there is a liability. If there is credit from more than one
16 tax year that is available to offset a liability, earlier
17 credit shall be applied first.

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

20 (A) is tangible, whether new or used, including
21 buildings and structural components of buildings and
22 signs that are real property, but not including land
23 or improvements to real property that are not a
24 structural component of a building such as
25 landscaping, sewer lines, local access roads, fencing,
26 parking lots, and other appurtenances;

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 (e);

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

8 (D) is used in Illinois by a taxpayer who is
9 primarily engaged in manufacturing, or in mining coal
10 or fluorite, or in retailing, or was placed in service
11 on or after July 1, 2006 in a River Edge Redevelopment
12 Zone established pursuant to the River Edge
13 Redevelopment Zone Act; and

14 (E) has not previously been used in Illinois in
15 such a manner and by such a person as would qualify for
16 the credit provided by this subsection (e) or
17 subsection (f).

18 (3) For purposes of this subsection (e),
19 "manufacturing" means the material staging and production
20 of tangible personal property by procedures commonly
21 regarded as manufacturing, processing, fabrication, or
22 assembling which changes some existing material into new
23 shapes, new qualities, or new combinations. For purposes
24 of this subsection (e) the term "mining" shall have the
25 same meaning as the term "mining" in Section 613(c) of the
26 Internal Revenue Code. For purposes of this subsection

1 (e), the term "retailing" means the sale of tangible
2 personal property for use or consumption and not for
3 resale, or services rendered in conjunction with the sale
4 of tangible personal property for use or consumption and
5 not for resale. For purposes of this subsection (e),
6 "tangible personal property" has the same meaning as when
7 that term is used in the Retailers' Occupation Tax Act,
8 and, for taxable years ending after December 31, 2008,
9 does not include the generation, transmission, or
10 distribution of electricity.

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

14 (5) If the basis of the property for federal income
15 tax depreciation purposes is increased after it has been
16 placed in service in Illinois by the taxpayer, the amount
17 of such increase shall be deemed property placed in
18 service on the date of such increase in basis.

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

21 (7) If during any taxable year, any property ceases to
22 be qualified property in the hands of the taxpayer within
23 48 months after being placed in service, or the situs of
24 any qualified property is moved outside Illinois within 48
25 months after being placed in service, the Personal
26 Property Tax Replacement Income Tax for such taxable year

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

12 (8) Unless the investment credit is extended by law,
13 the basis of qualified property shall not include costs
14 incurred after December 31, 2018, except for costs
15 incurred pursuant to a binding contract entered into on or
16 before December 31, 2018.

17 (9) Each taxable year ending before December 31, 2000,
18 a partnership may elect to pass through to its partners
19 the credits to which the partnership is entitled under
20 this subsection (e) for the taxable year. A partner may
21 use the credit allocated to him or her under this
22 paragraph only against the tax imposed in subsections (c)
23 and (d) of this Section. If the partnership makes that
24 election, those credits shall be allocated among the
25 partners in the partnership in accordance with the rules
26 set forth in Section 704(b) of the Internal Revenue Code,

1 and the rules promulgated under that Section, and the
2 allocated amount of the credits shall be allowed to the
3 partners for that taxable year. The partnership shall make
4 this election on its Personal Property Tax Replacement
5 Income Tax return for that taxable year. The election to
6 pass through the credits shall be irrevocable.

7 For taxable years ending on or after December 31,
8 2000, a partner that qualifies its partnership for a
9 subtraction under subparagraph (I) of paragraph (2) of
10 subsection (d) of Section 203 or a shareholder that
11 qualifies a Subchapter S corporation for a subtraction
12 under subparagraph (S) of paragraph (2) of subsection (b)
13 of Section 203 shall be allowed a credit under this
14 subsection (e) equal to its share of the credit earned
15 under this subsection (e) during the taxable year by the
16 partnership or Subchapter S corporation, determined in
17 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. This
20 paragraph is exempt from the provisions of Section 250.

21 (f) Investment credit; Enterprise Zone; River Edge
22 Redevelopment Zone.

23 (1) A taxpayer shall be allowed a credit against the
24 tax imposed by subsections (a) and (b) of this Section for
25 investment in qualified property which is placed in
26 service in an Enterprise Zone created pursuant to the

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

1 year for which there is a liability. If there is credit
2 from more than one tax year that is available to offset a
3 liability, the credit accruing first in time shall be
4 applied first.

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

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

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

13 (C) is acquired by purchase as defined in Section
14 179(d) of the Internal Revenue Code;

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

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

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

24 (4) If the basis of the property for federal income
25 tax depreciation purposes is increased after it has been
26 placed in service in the Enterprise Zone or River Edge

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

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

6 (6) 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 the Enterprise
10 Zone or River Edge Redevelopment Zone within 48 months
11 after being placed in service, the tax imposed under
12 subsections (a) and (b) of this Section for such taxable
13 year shall be increased. Such increase shall be determined
14 by (i) recomputing the investment credit which would have
15 been allowed for the year in which credit for such
16 property was originally allowed by eliminating such
17 property from such computation, and (ii) subtracting such
18 recomputed credit from the amount of credit previously
19 allowed. For the purposes of this paragraph (6), a
20 reduction of the basis of qualified property resulting
21 from a redetermination of the purchase price shall be
22 deemed a disposition of qualified property to the extent
23 of such reduction.

24 (7) There shall be allowed an additional credit equal
25 to 0.5% of the basis of qualified property placed in
26 service during the taxable year in a River Edge

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

16 (8) For taxable years beginning on or after January 1,
17 2021, there shall be allowed an Enterprise Zone
18 construction jobs credit against the taxes imposed under
19 subsections (a) and (b) of this Section as provided in
20 Section 13 of the Illinois Enterprise Zone Act.

21 The credit or credits may not reduce the taxpayer's
22 liability to less than zero. If the amount of the credit or
23 credits exceeds the taxpayer's liability, the excess may
24 be carried forward and applied against the taxpayer's
25 liability in succeeding calendar years in the same manner
26 provided under paragraph (4) of Section 211 of this Act.

1 The credit or credits shall be applied to the earliest
2 year for which there is a tax liability. If there are
3 credits from more than one taxable year that are available
4 to offset a liability, the earlier credit shall be applied
5 first.

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

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

18 This paragraph (8) is exempt from the provisions of
19 Section 250.

20 (g) (Blank).

21 (h) Investment credit; High Impact Business.

22 (1) Subject to subsections (b) and (b-5) of Section
23 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
24 be allowed a credit against the tax imposed by subsections
25 (a) and (b) of this Section for investment in qualified
26 property which is placed in service by a Department of

1 Commerce and Economic Opportunity designated High Impact
2 Business. The credit shall be .5% of the basis for such
3 property. The credit shall not be available (i) until the
4 minimum investments in qualified property set forth in
5 subdivision (a)(3)(A) of Section 5.5 of the Illinois
6 Enterprise Zone Act have been satisfied or (ii) until the
7 time authorized in subsection (b-5) of the Illinois
8 Enterprise Zone Act for entities designated as High Impact
9 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
10 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
11 Act, and shall not be allowed to the extent that it would
12 reduce a taxpayer's liability for the tax imposed by
13 subsections (a) and (b) of this Section to below zero. The
14 credit applicable to such investments shall be taken in
15 the taxable year in which such investments have been
16 completed. The credit for additional investments beyond
17 the minimum investment by a designated high impact
18 business authorized under subdivision (a)(3)(A) of Section
19 5.5 of the Illinois Enterprise Zone Act shall be available
20 only in the taxable year in which the property is placed in
21 service and shall not be allowed to the extent that it
22 would reduce a taxpayer's liability for the tax imposed by
23 subsections (a) and (b) of this Section to below zero. For
24 tax years ending on or after December 31, 1987, the credit
25 shall be allowed for the tax year in which the property is
26 placed in service, or, if the amount of the credit exceeds

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

10 Changes made in this subdivision (h) (1) by Public Act
11 88-670 restore changes made by Public Act 85-1182 and
12 reflect existing law.

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

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

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

21 (C) is acquired by purchase as defined in Section
22 179(d) of the Internal Revenue Code; and

23 (D) is not eligible for the Enterprise Zone
24 Investment Credit provided by subsection (f) of this
25 Section.

26 (3) The basis of qualified property shall be the basis

1 used to compute the depreciation deduction for federal
2 income tax purposes.

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

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

11 (6) If during any taxable year ending on or before
12 December 31, 1996, any property ceases to be qualified
13 property in the hands of the taxpayer within 48 months
14 after being placed in service, or the situs of any
15 qualified property is moved outside Illinois within 48
16 months after being placed in service, the tax imposed
17 under subsections (a) and (b) of this Section for such
18 taxable year shall be increased. Such increase shall be
19 determined by (i) recomputing the investment credit which
20 would have been allowed for the year in which credit for
21 such property was originally allowed by eliminating such
22 property from such computation, and (ii) subtracting such
23 recomputed credit from the amount of credit previously
24 allowed. For the purposes of this paragraph (6), a
25 reduction of the basis of qualified property resulting
26 from a redetermination of the purchase price shall be

1 deemed a disposition of qualified property to the extent
2 of such reduction.

3 (7) Beginning with tax years ending after December 31,
4 1996, if a taxpayer qualifies for the credit under this
5 subsection (h) and thereby is granted a tax abatement and
6 the taxpayer relocates its entire facility in violation of
7 the explicit terms and length of the contract under
8 Section 18-183 of the Property Tax Code, the tax imposed
9 under subsections (a) and (b) of this Section shall be
10 increased for the taxable year in which the taxpayer
11 relocated its facility by an amount equal to the amount of
12 credit received by the taxpayer under this subsection (h).

13 (h-5) High Impact Business construction ~~constructions~~ jobs
14 credit. For taxable years beginning on or after January 1,
15 2021, there shall also be allowed a High Impact Business
16 construction jobs credit against the tax imposed under
17 subsections (a) and (b) of this Section as provided in
18 subsections (i) and (j) of Section 5.5 of the Illinois
19 Enterprise Zone Act.

20 The credit or credits may not reduce the taxpayer's
21 liability to less than zero. If the amount of the credit or
22 credits exceeds the taxpayer's liability, the excess may be
23 carried forward and applied against the taxpayer's liability
24 in succeeding calendar years in the manner provided under
25 paragraph (4) of Section 211 of this Act. The credit or credits
26 shall be applied to the earliest year for which there is a tax

1 liability. If there are credits from more than one taxable
2 year that are available to offset a liability, the earlier
3 credit shall be applied first.

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

12 The total aggregate amount of credits awarded under the
13 Blue Collar Jobs Act (Article 20 of Public Act 101-9 ~~this~~
14 ~~amendatory Act of the 101st General Assembly~~) shall not exceed
15 \$20,000,000 in any State fiscal year.

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

18 (i) Credit for Personal Property Tax Replacement Income
19 Tax. For tax years ending prior to December 31, 2003, a credit
20 shall be allowed against the tax imposed by subsections (a)
21 and (b) of this Section for the tax imposed by subsections (c)
22 and (d) of this Section. This credit shall be computed by
23 multiplying the tax imposed by subsections (c) and (d) of this
24 Section by a fraction, the numerator of which is base income
25 allocable to Illinois and the denominator of which is Illinois
26 base income, and further multiplying the product by the tax

1 rate imposed by subsections (a) and (b) of this Section.

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

16 If, during any taxable year ending on or after December
17 31, 1986, the tax imposed by subsections (c) and (d) of this
18 Section for which a taxpayer has claimed a credit under this
19 subsection (i) is reduced, the amount of credit for such tax
20 shall also be reduced. Such reduction shall be determined by
21 recomputing the credit to take into account the reduced tax
22 imposed by subsections (c) and (d). If any portion of the
23 reduced amount of credit has been carried to a different
24 taxable year, an amended return shall be filed for such
25 taxable year to reduce the amount of credit claimed.

26 (j) Training expense credit. Beginning with tax years

1 ending on or after December 31, 1986 and prior to December 31,
2 2003, a taxpayer shall be allowed a credit against the tax
3 imposed by subsections (a) and (b) under this Section for all
4 amounts paid or accrued, on behalf of all persons employed by
5 the taxpayer in Illinois or Illinois residents employed
6 outside of Illinois by a taxpayer, for educational or
7 vocational training in semi-technical or technical fields or
8 semi-skilled or skilled fields, which were deducted from gross
9 income in the computation of taxable income. The credit
10 against the tax imposed by subsections (a) and (b) shall be
11 1.6% of such training expenses. For partners, shareholders of
12 subchapter S corporations, and owners of limited liability
13 companies, if the liability company is treated as a
14 partnership for purposes of federal and State income taxation,
15 there shall be allowed a credit under this subsection (j) to be
16 determined in accordance with the determination of income and
17 distributive share of income under Sections 702 and 704 and
18 subchapter S of the Internal Revenue Code.

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

1 applied first. No carryforward credit may be claimed in any
2 tax year ending on or after December 31, 2003.

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

20 For purposes of this subsection, "qualifying expenditures"
21 means the qualifying expenditures as defined for the federal
22 credit for increasing research activities which would be
23 allowable under Section 41 of the Internal Revenue Code and
24 which are conducted in this State, "qualifying expenditures
25 for increasing research activities in this State" means the
26 excess of qualifying expenditures for the taxable year in

1 which incurred over qualifying expenditures for the base
2 period, "qualifying expenditures for the base period" means
3 the average of the qualifying expenditures for each year in
4 the base period, and "base period" means the 3 taxable years
5 immediately preceding the taxable year for which the
6 determination is being made.

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

15 If an unused credit is carried forward to a given year from
16 2 or more earlier years, that credit arising in the earliest
17 year will be applied first against the tax liability for the
18 given year. If a tax liability for the given year still
19 remains, the credit from the next earliest year will then be
20 applied, and so on, until all credits have been used or no tax
21 liability for the given year remains. Any remaining unused
22 credit or credits then will be carried forward to the next
23 following year in which a tax liability is incurred, except
24 that no credit can be carried forward to a year which is more
25 than 5 years after the year in which the expense for which the
26 credit is given was incurred.

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

4 It is the intent of the General Assembly that the research
5 and development credit under this subsection (k) shall apply
6 continuously for all tax years ending on or after December 31,
7 2004 and ending prior to January 1, 2027, including, but not
8 limited to, the period beginning on January 1, 2016 and ending
9 on July 6, 2017 (the effective date of Public Act 100-22) ~~this~~
10 ~~amendatory Act of the 100th General Assembly~~. All actions
11 taken in reliance on the continuation of the credit under this
12 subsection (k) by any taxpayer are hereby validated.

13 (l) Environmental Remediation Tax Credit.

14 (i) For tax years ending after December 31, 1997 and
15 on or before December 31, 2001, a taxpayer shall be
16 allowed a credit against the tax imposed by subsections
17 (a) and (b) of this Section for certain amounts paid for
18 unreimbursed eligible remediation costs, as specified in
19 this subsection. For purposes of this Section,
20 "unreimbursed eligible remediation costs" means costs
21 approved by the Illinois Environmental Protection Agency
22 ("Agency") under Section 58.14 of the Environmental
23 Protection Act that were paid in performing environmental
24 remediation at a site for which a No Further Remediation
25 Letter was issued by the Agency and recorded under Section
26 58.10 of the Environmental Protection Act. The credit must

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

1 Department of Commerce and Economic Opportunity). The
2 total credit allowed shall not exceed \$40,000 per year
3 with a maximum total of \$150,000 per site. For partners
4 and shareholders of subchapter S corporations, there shall
5 be allowed a credit under this subsection to be determined
6 in accordance with the determination of income and
7 distributive share of income under Sections 702 and 704
8 and subchapter S of the Internal Revenue Code.

9 (ii) A credit allowed under this subsection that is
10 unused in the year the credit is earned may be carried
11 forward to each of the 5 taxable years following the year
12 for which the credit is first earned until it is used. The
13 term "unused credit" does not include any amounts of
14 unreimbursed eligible remediation costs in excess of the
15 maximum credit per site authorized under paragraph (i).
16 This credit shall be applied first to the earliest year
17 for which there is a liability. If there is a credit under
18 this subsection from more than one tax year that is
19 available to offset a liability, the earliest credit
20 arising under this subsection shall be applied first. A
21 credit allowed under this subsection may be sold to a
22 buyer as part of a sale of all or part of the remediation
23 site for which the credit was granted. The purchaser of a
24 remediation site and the tax credit shall succeed to the
25 unused credit and remaining carry-forward period of the
26 seller. To perfect the transfer, the assignor shall record

1 the transfer in the chain of title for the site and provide
2 written notice to the Director of the Illinois Department
3 of Revenue of the assignor's intent to sell the
4 remediation site and the amount of the tax credit to be
5 transferred as a portion of the sale. In no event may a
6 credit be transferred to any taxpayer if the taxpayer or a
7 related party would not be eligible under the provisions
8 of subsection (i).

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

12 (m) Education expense credit. Beginning with tax years
13 ending after December 31, 1999, a taxpayer who is the
14 custodian of one or more qualifying pupils shall be allowed a
15 credit against the tax imposed by subsections (a) and (b) of
16 this Section for qualified education expenses incurred on
17 behalf of the qualifying pupils. The credit shall be equal to
18 25% of qualified education expenses, but in no event may the
19 total credit under this subsection claimed by a family that is
20 the custodian of qualifying pupils exceed (i) \$500 for tax
21 years ending prior to December 31, 2017, and (ii) \$750 for tax
22 years ending on or after December 31, 2017. In no event shall a
23 credit under this subsection reduce the taxpayer's liability
24 under this Act to less than zero. Notwithstanding any other
25 provision of law, for taxable years beginning on or after
26 January 1, 2017, no taxpayer may claim a credit under this

1 subsection (m) if the taxpayer's adjusted gross income for the
2 taxable year exceeds (i) \$500,000, in the case of spouses
3 filing a joint federal tax return or (ii) \$250,000, in the case
4 of all other taxpayers. This subsection is exempt from the
5 provisions of Section 250 of this Act.

6 For purposes of this subsection:

7 "Qualifying pupils" means individuals who (i) are
8 residents of the State of Illinois, (ii) are under the age of
9 21 at the close of the school year for which a credit is
10 sought, and (iii) during the school year for which a credit is
11 sought were full-time pupils enrolled in a kindergarten
12 through twelfth grade education program at any school, as
13 defined in this subsection.

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

18 "School" means any public or nonpublic elementary or
19 secondary school in Illinois that is in compliance with Title
20 VI of the Civil Rights Act of 1964 and attendance at which
21 satisfies the requirements of Section 26-1 of the School Code,
22 except that nothing shall be construed to require a child to
23 attend any particular public or nonpublic school to qualify
24 for the credit under this Section.

25 "Custodian" means, with respect to qualifying pupils, an
26 Illinois resident who is a parent, the parents, a legal

1 guardian, or the legal guardians of the qualifying pupils.

2 (n) River Edge Redevelopment Zone site remediation tax
3 credit.

4 (i) For tax years ending on or after December 31,
5 2006, a taxpayer shall be allowed a credit against the tax
6 imposed by subsections (a) and (b) of this Section for
7 certain amounts paid for unreimbursed eligible remediation
8 costs, as specified in this subsection. For purposes of
9 this Section, "unreimbursed eligible remediation costs"
10 means costs approved by the Illinois Environmental
11 Protection Agency ("Agency") under Section 58.14a of the
12 Environmental Protection Act that were paid in performing
13 environmental remediation at a site within a River Edge
14 Redevelopment Zone for which a No Further Remediation
15 Letter was issued by the Agency and recorded under Section
16 58.10 of the Environmental Protection Act. The credit must
17 be claimed for the taxable year in which Agency approval
18 of the eligible remediation costs is granted. The credit
19 is not available to any taxpayer if the taxpayer or any
20 related party caused or contributed to, in any material
21 respect, a release of regulated substances on, in, or
22 under the site that was identified and addressed by the
23 remedial action pursuant to the Site Remediation Program
24 of the Environmental Protection Act. Determinations as to
25 credit availability for purposes of this Section shall be
26 made consistent with rules adopted by the Pollution

1 Control Board pursuant to the Illinois Administrative
2 Procedure Act for the administration and enforcement of
3 Section 58.9 of the Environmental Protection Act. For
4 purposes of this Section, "taxpayer" includes a person
5 whose tax attributes the taxpayer has succeeded to under
6 Section 381 of the Internal Revenue Code and "related
7 party" includes the persons disallowed a deduction for
8 losses by paragraphs (b), (c), and (f)(1) of Section 267
9 of the Internal Revenue Code by virtue of being a related
10 taxpayer, as well as any of its partners. The credit
11 allowed against the tax imposed by subsections (a) and (b)
12 shall be equal to 25% of the unreimbursed eligible
13 remediation costs in excess of \$100,000 per site.

14 (ii) A credit allowed under this subsection that is
15 unused in the year the credit is earned may be carried
16 forward to each of the 5 taxable years following the year
17 for which the credit is first earned until it is used. This
18 credit shall be applied first to the earliest year for
19 which there is a liability. If there is a credit under this
20 subsection from more than one tax year that is available
21 to offset a liability, the earliest credit arising under
22 this subsection shall be applied first. A credit allowed
23 under this subsection may be sold to a buyer as part of a
24 sale of all or part of the remediation site for which the
25 credit was granted. The purchaser of a remediation site
26 and the tax credit shall succeed to the unused credit and

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

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

13 (o) For each of taxable years during the Compassionate Use
14 of Medical Cannabis Program, a surcharge is imposed on all
15 taxpayers on income arising from the sale or exchange of
16 capital assets, depreciable business property, real property
17 used in the trade or business, and Section 197 intangibles of
18 an organization registrant under the Compassionate Use of
19 Medical Cannabis Program Act. The amount of the surcharge is
20 equal to the amount of federal income tax liability for the
21 taxable year attributable to those sales and exchanges. The
22 surcharge imposed does not apply if:

23 (1) the medical cannabis cultivation center
24 registration, medical cannabis dispensary registration, or
25 the property of a registration is transferred as a result
26 of any of the following:

1 (A) bankruptcy, a receivership, or a debt
2 adjustment initiated by or against the initial
3 registration or the substantial owners of the initial
4 registration;

5 (B) cancellation, revocation, or termination of
6 any registration by the Illinois Department of Public
7 Health;

8 (C) a determination by the Illinois Department of
9 Public Health that transfer of the registration is in
10 the best interests of Illinois qualifying patients as
11 defined by the Compassionate Use of Medical Cannabis
12 Program Act;

13 (D) the death of an owner of the equity interest in
14 a registrant;

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

18 (F) a transfer by a parent company to a wholly
19 owned subsidiary; or

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

24 (2) the cannabis cultivation center registration,
25 medical cannabis dispensary registration, or the
26 controlling interest in a registrant's property is

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

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

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

10 Sec. 201. Tax imposed.

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

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

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

25 (2) In the case of an individual, trust or estate, for

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

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

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

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

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

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

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

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

15 (5.4) In the case of an individual, trust, or estate,
16 for taxable years beginning on or after July 1, 2017 ~~and~~
17 ~~beginning prior to January 1, 2021,~~ an amount equal to
18 4.95% of the taxpayer's net income for the taxable year.

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

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

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

1 beginning prior to July 1, 1989 and ending after June 30,
2 1989, an amount equal to the sum of (i) 4% of the
3 taxpayer's net income for the period prior to July 1,
4 1989, as calculated under Section 202.3, and (ii) 4.8% of
5 the taxpayer's net income for the period after June 30,
6 1989, as calculated under Section 202.3.

7 (8) In the case of a corporation, for taxable years
8 beginning after June 30, 1989, and ending prior to January
9 1, 2011, an amount equal to 4.8% of the taxpayer's net
10 income for the taxable year.

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

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

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

1 of the taxpayer's net income for the period after December
2 31, 2014, as calculated under Section 202.5.

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

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

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

18 ~~(15) In the case of a corporation, for taxable years~~
19 ~~beginning on or after January 1, 2021, an amount equal to~~
20 ~~7.99% of the taxpayer's net income for the taxable year.~~

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

23 (b-5) Surcharge; sale or exchange of assets, properties,
24 and intangibles of organization gaming licensees. For each of
25 taxable years 2019 through 2027, 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 (i)
3 of an organization licensee under the Illinois Horse Racing
4 Act of 1975 and (ii) of an organization gaming licensee under
5 the Illinois Gambling Act. The amount of the surcharge is
6 equal to the amount of federal income tax liability for the
7 taxable year attributable to those sales and exchanges. The
8 surcharge imposed shall not apply if:

9 (1) the organization gaming license, organization
10 license, or racetrack property 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 licensee or the substantial owners of the initial
15 licensee;

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

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

22 (D) the death of an owner of the equity interest in
23 a licensee;

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

1 (F) a transfer by a parent company to a wholly
2 owned subsidiary; or

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

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

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

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

23 (c) Personal Property Tax Replacement Income Tax.
24 Beginning on July 1, 1979 and thereafter, in addition to such
25 income tax, there is also hereby imposed the Personal Property
26 Tax Replacement Income Tax measured by net income on every

1 corporation (including Subchapter S corporations), partnership
2 and trust, for each taxable year ending after June 30, 1979.
3 Such taxes are imposed on the privilege of earning or
4 receiving income in or as a resident of this State. The
5 Personal Property Tax Replacement Income Tax shall be in
6 addition to the income tax imposed by subsections (a) and (b)
7 of this Section and in addition to all other occupation or
8 privilege taxes imposed by this State or by any municipal
9 corporation or political subdivision thereof.

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

22 (d-1) Rate reduction for certain foreign insurers. In the
23 case of a foreign insurer, as defined by Section 35A-5 of the
24 Illinois Insurance Code, whose state or country of domicile
25 imposes on insurers domiciled in Illinois a retaliatory tax
26 (excluding any insurer whose premiums from reinsurance assumed

1 are 50% or more of its total insurance premiums as determined
2 under paragraph (2) of subsection (b) of Section 304, except
3 that for purposes of this determination premiums from
4 reinsurance do not include premiums from inter-affiliate
5 reinsurance arrangements), beginning with taxable years ending
6 on or after December 31, 1999, the sum of the rates of tax
7 imposed by subsections (b) and (d) shall be reduced (but not
8 increased) to the rate at which the total amount of tax imposed
9 under this Act, net of all credits allowed under this Act,
10 shall equal (i) the total amount of tax that would be imposed
11 on the foreign insurer's net income allocable to Illinois for
12 the taxable year by such foreign insurer's state or country of
13 domicile if that net income were subject to all income taxes
14 and taxes measured by net income imposed by such foreign
15 insurer's state or country of domicile, net of all credits
16 allowed or (ii) a rate of zero if no such tax is imposed on
17 such income by the foreign insurer's state of domicile. For
18 the purposes of this subsection (d-1), an inter-affiliate
19 includes a mutual insurer under common management.

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

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

26 (B) the privilege tax imposed by Section 409 of

1 the Illinois Insurance Code, the fire insurance
2 company tax imposed by Section 12 of the Fire
3 Investigation Act, and the fire department taxes
4 imposed under Section 11-10-1 of the Illinois
5 Municipal Code,

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

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

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

22 (d-2) For taxable years beginning on or after January 1,
23 2021, a partnership or Subchapter S corporation may elect to
24 pay a tax that is imposed on the partnership or Subchapter S
25 corporation. This tax is computed by multiplying each
26 pass-through owner's share of business income apportionable to

1 Illinois and nonbusiness income allocated to Illinois under
2 Section 303 of this Act, if this share is not a net loss, by
3 the applicable rates of tax for that pass-through owner under
4 subsections (a) through (d) of this Section, and taking the
5 sum of these amounts. This election shall be made on the
6 partnership's or Subchapter S corporation's return filed under
7 Section 502 in such manner as the Department may prescribe.

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

11 (1) A taxpayer shall be allowed a credit equal to .5%
12 of the basis of qualified property placed in service
13 during the taxable year, provided such property is placed
14 in service on or after July 1, 1984. There shall be allowed
15 an additional credit equal to .5% of the basis of
16 qualified property placed in service during the taxable
17 year, provided such property is placed in service on or
18 after July 1, 1986, and the taxpayer's base employment
19 within Illinois has increased by 1% or more over the
20 preceding year as determined by the taxpayer's employment
21 records filed with the Illinois Department of Employment
22 Security. Taxpayers who are new to Illinois shall be
23 deemed to have met the 1% growth in base employment for the
24 first year in which they file employment records with the
25 Illinois Department of Employment Security. The provisions
26 added to this Section by Public Act 85-1200 (and restored

1 by Public Act 87-895) shall be construed as declaratory of
2 existing law and not as a new enactment. If, in any year,
3 the increase in base employment within Illinois over the
4 preceding year is less than 1%, the additional credit
5 shall be limited to that percentage times a fraction, the
6 numerator of which is .5% and the denominator of which is
7 1%, but shall not exceed .5%. The investment credit shall
8 not be allowed to the extent that it would reduce a
9 taxpayer's liability in any tax year below zero, nor may
10 any credit for qualified property be allowed for any year
11 other than the year in which the property was placed in
12 service in Illinois. For tax years ending on or after
13 December 31, 1987, and on or before December 31, 1988, the
14 credit shall be allowed for the tax year in which the
15 property is placed in service, or, if the amount of the
16 credit exceeds the tax liability for that year, whether it
17 exceeds the original liability or the liability as later
18 amended, such excess may be carried forward and applied to
19 the tax liability of the 5 taxable years following the
20 excess credit years if the taxpayer (i) makes investments
21 which cause the creation of a minimum of 2,000 full-time
22 equivalent jobs in Illinois, (ii) is located in an
23 enterprise zone established pursuant to the Illinois
24 Enterprise Zone Act and (iii) is certified by the
25 Department of Commerce and Community Affairs (now
26 Department of Commerce and Economic Opportunity) as

1 complying with the requirements specified in clause (i)
2 and (ii) by July 1, 1986. The Department of Commerce and
3 Community Affairs (now Department of Commerce and Economic
4 Opportunity) shall notify the Department of Revenue of all
5 such certifications immediately. For tax years ending
6 after December 31, 1988, the credit shall be allowed for
7 the tax year in which the property is placed in service,
8 or, if the amount of the credit exceeds the tax liability
9 for that year, whether it exceeds the original liability
10 or the liability as later amended, such excess may be
11 carried forward and applied to the tax liability of the 5
12 taxable years following the excess credit years. The
13 credit shall be applied to the earliest year for which
14 there is a liability. If there is credit from more than one
15 tax year that is available to offset a liability, earlier
16 credit shall be applied first.

17 (2) The term "qualified property" means property
18 which:

19 (A) is tangible, whether new or used, including
20 buildings and structural components of buildings and
21 signs that are real property, but not including land
22 or improvements to real property that are not a
23 structural component of a building such as
24 landscaping, sewer lines, local access roads, fencing,
25 parking lots, and other appurtenances;

26 (B) is depreciable pursuant to Section 167 of the

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

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

7 (D) is used in Illinois by a taxpayer who is
8 primarily engaged in manufacturing, or in mining coal
9 or fluorite, or in retailing, or was placed in service
10 on or after July 1, 2006 in a River Edge Redevelopment
11 Zone established pursuant to the River Edge
12 Redevelopment Zone Act; and

13 (E) has not previously been used in Illinois in
14 such a manner and by such a person as would qualify for
15 the credit provided by this subsection (e) or
16 subsection (f).

17 (3) For purposes of this subsection (e),
18 "manufacturing" means the material staging and production
19 of tangible personal property by procedures commonly
20 regarded as manufacturing, processing, fabrication, or
21 assembling which changes some existing material into new
22 shapes, new qualities, or new combinations. For purposes
23 of this subsection (e) the term "mining" shall have the
24 same meaning as the term "mining" in Section 613(c) of the
25 Internal Revenue Code. For purposes of this subsection
26 (e), the term "retailing" means the sale of tangible

1 personal property for use or consumption and not for
2 resale, or services rendered in conjunction with the sale
3 of tangible personal property for use or consumption and
4 not for resale. For purposes of this subsection (e),
5 "tangible personal property" has the same meaning as when
6 that term is used in the Retailers' Occupation Tax Act,
7 and, for taxable years ending after December 31, 2008,
8 does not include the generation, transmission, or
9 distribution of electricity.

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

13 (5) If the basis of the property for federal income
14 tax depreciation purposes is increased after it has been
15 placed in service in Illinois by the taxpayer, the amount
16 of such increase shall be deemed property placed in
17 service on the date of such increase in basis.

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

20 (7) If during any taxable year, any property ceases to
21 be qualified property in the hands of the taxpayer within
22 48 months after being placed in service, or the situs of
23 any qualified property is moved outside Illinois within 48
24 months after being placed in service, the Personal
25 Property Tax Replacement Income Tax for such taxable year
26 shall be increased. Such increase shall be determined by

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

11 (8) Unless the investment credit is extended by law,
12 the basis of qualified property shall not include costs
13 incurred after December 31, 2018, except for costs
14 incurred pursuant to a binding contract entered into on or
15 before December 31, 2018.

16 (9) Each taxable year ending before December 31, 2000,
17 a partnership may elect to pass through to its partners
18 the credits to which the partnership is entitled under
19 this subsection (e) for the taxable year. A partner may
20 use the credit allocated to him or her under this
21 paragraph only against the tax imposed in subsections (c)
22 and (d) of this Section. If the partnership makes that
23 election, those credits shall be allocated among the
24 partners in the partnership in accordance with the rules
25 set forth in Section 704(b) of the Internal Revenue Code,
26 and the rules promulgated under that Section, and the

1 allocated amount of the credits shall be allowed to the
2 partners for that taxable year. The partnership shall make
3 this election on its Personal Property Tax Replacement
4 Income Tax return for that taxable year. The election to
5 pass through the credits shall be irrevocable.

6 For taxable years ending on or after December 31,
7 2000, a partner that qualifies its partnership for a
8 subtraction under subparagraph (I) of paragraph (2) of
9 subsection (d) of Section 203 or a shareholder that
10 qualifies a Subchapter S corporation for a subtraction
11 under subparagraph (S) of paragraph (2) of subsection (b)
12 of Section 203 shall be allowed a credit under this
13 subsection (e) equal to its share of the credit earned
14 under this subsection (e) during the taxable year by the
15 partnership or Subchapter S corporation, determined in
16 accordance with the determination of income and
17 distributive share of income under Sections 702 and 704
18 and Subchapter S of the Internal Revenue Code. This
19 paragraph is exempt from the provisions of Section 250.

20 (f) Investment credit; Enterprise Zone; River Edge
21 Redevelopment Zone.

22 (1) A taxpayer shall be allowed a credit against the
23 tax imposed by subsections (a) and (b) of this Section for
24 investment in qualified property which is placed in
25 service in an Enterprise Zone created pursuant to the
26 Illinois Enterprise Zone Act or, for property placed in

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

1 from more than one tax year that is available to offset a
2 liability, the credit accruing first in time shall be
3 applied first.

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

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

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 (f);

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

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

16 (E) has not been previously used in Illinois in
17 such a manner and by such a person as would qualify for
18 the credit provided by this subsection (f) or
19 subsection (e).

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

23 (4) If the basis of the property for federal income
24 tax depreciation purposes is increased after it has been
25 placed in service in the Enterprise Zone or River Edge
26 Redevelopment Zone by the taxpayer, the amount of such

1 increase shall be deemed property placed in service on the
2 date of such increase in basis.

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

5 (6) If during any taxable year, any property ceases to
6 be qualified property in the hands of the taxpayer within
7 48 months after being placed in service, or the situs of
8 any qualified property is moved outside the Enterprise
9 Zone or River Edge Redevelopment Zone within 48 months
10 after being placed in service, the tax imposed under
11 subsections (a) and (b) of this Section for such taxable
12 year shall be increased. Such increase shall be determined
13 by (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 (6), 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 (7) There shall be allowed an additional credit equal
24 to 0.5% of the basis of qualified property placed in
25 service during the taxable year in a River Edge
26 Redevelopment Zone, provided such property is placed in

1 service on or after July 1, 2006, and the taxpayer's base
2 employment within Illinois has increased by 1% or more
3 over the preceding year as determined by the taxpayer's
4 employment records filed with the Illinois Department of
5 Employment Security. Taxpayers who are new to Illinois
6 shall be deemed to have met the 1% growth in base
7 employment for the first year in which they file
8 employment records with the Illinois Department of
9 Employment Security. If, in any year, the increase in base
10 employment within Illinois over the preceding year is less
11 than 1%, the additional credit shall be limited to that
12 percentage times a fraction, the numerator of which is
13 0.5% and the denominator of which is 1%, but shall not
14 exceed 0.5%.

15 (8) For taxable years beginning on or after January 1,
16 2021, there shall be allowed an Enterprise Zone
17 construction jobs credit against the taxes imposed under
18 subsections (a) and (b) of this Section as provided in
19 Section 13 of the Illinois Enterprise Zone Act.

20 The credit or credits may not reduce the taxpayer's
21 liability to less than zero. If the amount of the credit or
22 credits exceeds the taxpayer's liability, the excess may
23 be carried forward and applied against the taxpayer's
24 liability in succeeding calendar years in the same manner
25 provided under paragraph (4) of Section 211 of this Act.
26 The credit or credits shall be applied to the earliest

1 year for which there is a tax liability. If there are
2 credits from more than one taxable year that are available
3 to offset a liability, the earlier credit shall be applied
4 first.

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

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

17 This paragraph (8) is exempt from the provisions of
18 Section 250.

19 (g) (Blank).

20 (h) Investment credit; High Impact Business.

21 (1) Subject to subsections (b) and (b-5) of Section
22 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
23 be allowed a credit against the tax imposed by subsections
24 (a) and (b) of this Section for investment in qualified
25 property which is placed in service by a Department of
26 Commerce and Economic Opportunity designated High Impact

1 Business. The credit shall be .5% of the basis for such
2 property. The credit shall not be available (i) until the
3 minimum investments in qualified property set forth in
4 subdivision (a)(3)(A) of Section 5.5 of the Illinois
5 Enterprise Zone Act have been satisfied or (ii) until the
6 time authorized in subsection (b-5) of the Illinois
7 Enterprise Zone Act for entities designated as High Impact
8 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
9 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
10 Act, and shall not be allowed to the extent that it would
11 reduce a taxpayer's liability for the tax imposed by
12 subsections (a) and (b) of this Section to below zero. The
13 credit applicable to such investments shall be taken in
14 the taxable year in which such investments have been
15 completed. The credit for additional investments beyond
16 the minimum investment by a designated high impact
17 business authorized under subdivision (a)(3)(A) of Section
18 5.5 of the Illinois Enterprise Zone Act shall be available
19 only in the taxable year in which the property is placed in
20 service and shall not be allowed to the extent that it
21 would reduce a taxpayer's liability for the tax imposed by
22 subsections (a) and (b) of this Section to below zero. For
23 tax years ending on or after December 31, 1987, the credit
24 shall be allowed for the tax year in which the property is
25 placed in service, or, if the amount of the credit exceeds
26 the tax liability for that year, whether it exceeds the

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

9 Changes made in this subdivision (h) (1) by Public Act
10 88-670 restore changes made by Public Act 85-1182 and
11 reflect existing law.

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

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

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

20 (C) is acquired by purchase as defined in Section
21 179(d) of the Internal Revenue Code; and

22 (D) is not eligible for the Enterprise Zone
23 Investment Credit provided by subsection (f) of this
24 Section.

25 (3) The basis of qualified property shall be the basis
26 used to compute the depreciation deduction for federal

1 income tax purposes.

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

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

10 (6) If during any taxable year ending on or before
11 December 31, 1996, any property ceases to be qualified
12 property in the hands of the taxpayer within 48 months
13 after being placed in service, or the situs of any
14 qualified property is moved outside Illinois within 48
15 months after being placed in service, the tax imposed
16 under subsections (a) and (b) of this Section for such
17 taxable year shall be increased. Such increase shall be
18 determined by (i) recomputing the investment credit which
19 would have been allowed for the year in which credit for
20 such property was originally allowed by eliminating such
21 property from such computation, and (ii) subtracting such
22 recomputed credit from the amount of credit previously
23 allowed. For the purposes of this paragraph (6), a
24 reduction of the basis of qualified property resulting
25 from a redetermination of the purchase price shall be
26 deemed a disposition of qualified property to the extent

1 of such reduction.

2 (7) Beginning with tax years ending after December 31,
3 1996, if a taxpayer qualifies for the credit under this
4 subsection (h) and thereby is granted a tax abatement and
5 the taxpayer relocates its entire facility in violation of
6 the explicit terms and length of the contract under
7 Section 18-183 of the Property Tax Code, the tax imposed
8 under subsections (a) and (b) of this Section shall be
9 increased for the taxable year in which the taxpayer
10 relocated its facility by an amount equal to the amount of
11 credit received by the taxpayer under this subsection (h).

12 (h-5) High Impact Business construction ~~constructions~~ jobs
13 credit. For taxable years beginning on or after January 1,
14 2021, there shall also be allowed a High Impact Business
15 construction jobs credit against the tax imposed under
16 subsections (a) and (b) of this Section as provided in
17 subsections (i) and (j) of Section 5.5 of the Illinois
18 Enterprise Zone Act.

19 The credit or credits may not reduce the taxpayer's
20 liability to less than zero. If the amount of the credit or
21 credits exceeds the taxpayer's liability, the excess may be
22 carried forward and applied against the taxpayer's liability
23 in succeeding calendar years in the manner provided under
24 paragraph (4) of Section 211 of this Act. The credit or credits
25 shall be applied to the earliest year for which there is a tax
26 liability. If there are credits from more than one taxable

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

3 For partners, shareholders of Subchapter S corporations,
4 and owners of limited liability companies, if the liability
5 company is treated as a partnership for the purposes of
6 federal and State income taxation, there shall be allowed a
7 credit under this Section to be determined in accordance with
8 the determination of income and distributive share of income
9 under Sections 702 and 704 and Subchapter S of the Internal
10 Revenue Code.

11 The total aggregate amount of credits awarded under the
12 Blue Collar Jobs Act (Article 20 of Public Act 101-9 ~~this~~
13 ~~amendatory Act of the 101st General Assembly~~) shall not exceed
14 \$20,000,000 in any State fiscal year.

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

17 (i) Credit for Personal Property Tax Replacement Income
18 Tax. For tax years ending prior to December 31, 2003, a credit
19 shall be allowed against the tax imposed by subsections (a)
20 and (b) of this Section for the tax imposed by subsections (c)
21 and (d) of this Section. This credit shall be computed by
22 multiplying the tax imposed by subsections (c) and (d) of this
23 Section by a fraction, the numerator of which is base income
24 allocable to Illinois and the denominator of which is Illinois
25 base income, and further multiplying the product by the tax
26 rate imposed by subsections (a) and (b) of this Section.

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

15 If, during any taxable year ending on or after December
16 31, 1986, the tax imposed by subsections (c) and (d) of this
17 Section for which a taxpayer has claimed a credit under this
18 subsection (i) is reduced, the amount of credit for such tax
19 shall also be reduced. Such reduction shall be determined by
20 recomputing the credit to take into account the reduced tax
21 imposed by subsections (c) and (d). If any portion of the
22 reduced amount of credit has been carried to a different
23 taxable year, an amended return shall be filed for such
24 taxable year to reduce the amount of credit claimed.

25 (j) Training expense credit. Beginning with tax years
26 ending on or after December 31, 1986 and prior to December 31,

1 2003, a taxpayer shall be allowed a credit against the tax
2 imposed by subsections (a) and (b) under this Section for all
3 amounts paid or accrued, on behalf of all persons employed by
4 the taxpayer in Illinois or Illinois residents employed
5 outside of Illinois by a taxpayer, for educational or
6 vocational training in semi-technical or technical fields or
7 semi-skilled or skilled fields, which were deducted from gross
8 income in the computation of taxable income. The credit
9 against the tax imposed by subsections (a) and (b) shall be
10 1.6% of such training expenses. 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 taxation,
14 there shall be allowed a credit under this subsection (j) to be
15 determined in accordance with the determination of income and
16 distributive share of income under Sections 702 and 704 and
17 subchapter S of the Internal Revenue Code.

18 Any credit allowed under this subsection which is unused
19 in the year the credit is earned may be carried forward to each
20 of the 5 taxable years following the year for which the credit
21 is first computed until it is used. This credit shall be
22 applied first to the earliest year for which there is a
23 liability. If there is a credit under this subsection from
24 more than one tax year that is available to offset a liability,
25 the earliest credit arising under this subsection shall be
26 applied first. No carryforward credit may be claimed in any

1 tax year ending on or after December 31, 2003.

2 (k) Research and development credit. For tax years ending
3 after July 1, 1990 and prior to December 31, 2003, and
4 beginning again for tax years ending on or after December 31,
5 2004, and ending prior to January 1, 2027, a taxpayer shall be
6 allowed a credit against the tax imposed by subsections (a)
7 and (b) of this Section for increasing research activities in
8 this State. The credit allowed against the tax imposed by
9 subsections (a) and (b) shall be equal to 6 1/2% of the
10 qualifying expenditures for increasing research activities in
11 this State. For partners, shareholders of subchapter S
12 corporations, and owners of limited liability companies, if
13 the liability company is treated as a partnership for purposes
14 of federal and State income taxation, there shall be allowed a
15 credit under this subsection to be determined in accordance
16 with the determination of income and distributive share of
17 income under Sections 702 and 704 and subchapter S of the
18 Internal Revenue Code.

19 For purposes of this subsection, "qualifying expenditures"
20 means the qualifying expenditures as defined for the federal
21 credit for increasing research activities which would be
22 allowable under Section 41 of the Internal Revenue Code and
23 which are conducted in this State, "qualifying expenditures
24 for increasing research activities in this State" means the
25 excess of qualifying expenditures for the taxable year in
26 which incurred over qualifying expenditures for the base

1 period, "qualifying expenditures for the base period" means
2 the average of the qualifying expenditures for each year in
3 the base period, and "base period" means the 3 taxable years
4 immediately preceding the taxable year for which the
5 determination is being made.

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

14 If an unused credit is carried forward to a given year from
15 2 or more earlier years, that credit arising in the earliest
16 year will be applied first against the tax liability for the
17 given year. If a tax liability for the given year still
18 remains, the credit from the next earliest year will then be
19 applied, and so on, until all credits have been used or no tax
20 liability for the given year remains. Any remaining unused
21 credit or credits then will be carried forward to the next
22 following year in which a tax liability is incurred, except
23 that no credit can be carried forward to a year which is more
24 than 5 years after the year in which the expense for which the
25 credit is given was incurred.

26 No inference shall be drawn from Public Act 91-644 ~~this~~

1 ~~amendatory Act of the 91st General Assembly~~ in construing this
2 Section for taxable years beginning before January 1, 1999.

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

12 (l) Environmental Remediation Tax Credit.

13 (i) For tax years ending after December 31, 1997 and
14 on or before December 31, 2001, a taxpayer shall be
15 allowed a credit against the tax imposed by subsections
16 (a) and (b) of this Section for certain amounts paid for
17 unreimbursed eligible remediation costs, as specified in
18 this subsection. For purposes of this Section,
19 "unreimbursed eligible remediation costs" means costs
20 approved by the Illinois Environmental Protection Agency
21 ("Agency") under Section 58.14 of the Environmental
22 Protection Act that were paid in performing environmental
23 remediation at a site for which a No Further Remediation
24 Letter was issued by the Agency and recorded under Section
25 58.10 of the Environmental Protection Act. The credit must
26 be claimed for the taxable year in which Agency approval

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

1 total credit allowed shall not exceed \$40,000 per year
2 with a maximum total of \$150,000 per site. For partners
3 and shareholders of subchapter S corporations, there shall
4 be allowed a credit under this subsection to be determined
5 in accordance with the determination of income and
6 distributive share of income under Sections 702 and 704
7 and subchapter S of the Internal Revenue Code.

8 (ii) A credit allowed under this subsection that is
9 unused in the year the credit is earned may be carried
10 forward to each of the 5 taxable years following the year
11 for which the credit is first earned until it is used. The
12 term "unused credit" does not include any amounts of
13 unreimbursed eligible remediation costs in excess of the
14 maximum credit per site authorized under paragraph (i).
15 This credit shall be applied first to the earliest year
16 for which there is a liability. If there is a credit under
17 this subsection from more than one tax year that is
18 available to offset a liability, the earliest credit
19 arising under this subsection shall be applied first. A
20 credit allowed under this subsection may be sold to a
21 buyer as part of a sale of all or part of the remediation
22 site for which the credit was granted. The purchaser of a
23 remediation site and the tax credit shall succeed to the
24 unused credit and remaining carry-forward period of the
25 seller. To perfect the transfer, the assignor shall record
26 the transfer in the chain of title for the site and provide

1 written notice to the Director of the Illinois Department
2 of Revenue of the assignor's intent to sell the
3 remediation site and the amount of the tax credit to be
4 transferred as a portion of the sale. In no event may a
5 credit be transferred to any taxpayer if the taxpayer or a
6 related party would not be eligible under the provisions
7 of subsection (i).

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

11 (m) Education expense credit. Beginning with tax years
12 ending after December 31, 1999, a taxpayer who is the
13 custodian of one or more qualifying pupils shall be allowed a
14 credit against the tax imposed by subsections (a) and (b) of
15 this Section for qualified education expenses incurred on
16 behalf of the qualifying pupils. The credit shall be equal to
17 25% of qualified education expenses, but in no event may the
18 total credit under this subsection claimed by a family that is
19 the custodian of qualifying pupils exceed (i) \$500 for tax
20 years ending prior to December 31, 2017, and (ii) \$750 for tax
21 years ending on or after December 31, 2017. In no event shall a
22 credit under this subsection reduce the taxpayer's liability
23 under this Act to less than zero. Notwithstanding any other
24 provision of law, for taxable years beginning on or after
25 January 1, 2017, no taxpayer may claim a credit under this
26 subsection (m) if the taxpayer's adjusted gross income for the

1 taxable year exceeds (i) \$500,000, in the case of spouses
2 filing a joint federal tax return or (ii) \$250,000, in the case
3 of all other taxpayers. This subsection is exempt from the
4 provisions of Section 250 of this Act.

5 For purposes of this subsection:

6 "Qualifying pupils" means individuals who (i) are
7 residents of the State of Illinois, (ii) are under the age of
8 21 at the close of the school year for which a credit is
9 sought, and (iii) during the school year for which a credit is
10 sought were full-time pupils enrolled in a kindergarten
11 through twelfth grade education program at any school, as
12 defined in this subsection.

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

17 "School" means any public or nonpublic elementary or
18 secondary school in Illinois that is in compliance with Title
19 VI of the Civil Rights Act of 1964 and attendance at which
20 satisfies the requirements of Section 26-1 of the School Code,
21 except that nothing shall be construed to require a child to
22 attend any particular public or nonpublic school to qualify
23 for the credit under this Section.

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

1 (n) River Edge Redevelopment Zone site remediation tax
2 credit.

3 (i) For tax years ending on or after December 31,
4 2006, a taxpayer shall be allowed a credit against the tax
5 imposed by subsections (a) and (b) of this Section for
6 certain amounts paid for unreimbursed eligible remediation
7 costs, as specified in this subsection. For purposes of
8 this Section, "unreimbursed eligible remediation costs"
9 means costs approved by the Illinois Environmental
10 Protection Agency ("Agency") under Section 58.14a of the
11 Environmental Protection Act that were paid in performing
12 environmental remediation at a site within a River Edge
13 Redevelopment Zone for which a No Further Remediation
14 Letter was issued by the Agency and recorded under Section
15 58.10 of the Environmental Protection Act. The credit must
16 be claimed for the taxable year in which Agency approval
17 of the eligible remediation costs is granted. The credit
18 is not available to any taxpayer if the taxpayer or any
19 related party caused or contributed to, in any material
20 respect, a release of regulated substances on, in, or
21 under the site that was identified and addressed by the
22 remedial action pursuant to the Site Remediation Program
23 of the Environmental Protection Act. Determinations as to
24 credit availability for purposes of this Section shall be
25 made consistent with rules adopted by the Pollution
26 Control Board pursuant to the Illinois Administrative

1 Procedure Act for the administration and enforcement of
2 Section 58.9 of the Environmental Protection Act. For
3 purposes of this Section, "taxpayer" includes a person
4 whose tax attributes the taxpayer has succeeded to under
5 Section 381 of the Internal Revenue Code and "related
6 party" includes the persons disallowed a deduction for
7 losses by paragraphs (b), (c), and (f)(1) of Section 267
8 of the Internal Revenue Code by virtue of being a related
9 taxpayer, as well as any of its partners. The credit
10 allowed against the tax imposed by subsections (a) and (b)
11 shall be equal to 25% of the unreimbursed eligible
12 remediation costs in excess of \$100,000 per site.

13 (ii) A credit allowed under this subsection that is
14 unused in the year the credit is earned may be carried
15 forward to each of the 5 taxable years following the year
16 for which the credit is first earned until it is used. This
17 credit shall be applied first to the earliest year for
18 which there is a liability. If there is a credit under this
19 subsection from more than one tax year that is available
20 to offset a liability, the earliest credit arising under
21 this subsection shall be applied first. A credit allowed
22 under this subsection may be sold to a buyer as part of a
23 sale of all or part of the remediation site for which the
24 credit was granted. The purchaser of a remediation site
25 and the tax credit shall succeed to the unused credit and
26 remaining carry-forward period of the seller. To perfect

1 the transfer, the assignor shall record the transfer in
2 the chain of title for the site and provide written notice
3 to the Director of the Illinois Department of Revenue of
4 the assignor's intent to sell the remediation site and the
5 amount of the tax credit to be transferred as a portion of
6 the sale. In no event may a credit be transferred to any
7 taxpayer if the taxpayer or a related party would not be
8 eligible under the provisions of subsection (i).

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

12 (o) For each of taxable years during the Compassionate Use
13 of Medical Cannabis Program, a surcharge is imposed on all
14 taxpayers on income arising from the sale or exchange of
15 capital assets, depreciable business property, real property
16 used in the trade or business, and Section 197 intangibles of
17 an organization registrant under the Compassionate Use of
18 Medical Cannabis Program Act. The amount of the surcharge is
19 equal to the amount of federal income tax liability for the
20 taxable year attributable to those sales and exchanges. The
21 surcharge imposed does not apply if:

22 (1) the medical cannabis cultivation center
23 registration, medical cannabis dispensary registration, or
24 the property of a registration is transferred as a result
25 of any of the following:

26 (A) bankruptcy, a receivership, or a debt

1 adjustment initiated by or against the initial
2 registration or the substantial owners of the initial
3 registration;

4 (B) cancellation, revocation, or termination of
5 any registration by the Illinois Department of Public
6 Health;

7 (C) a determination by the Illinois Department of
8 Public Health that transfer of the registration is in
9 the best interests of Illinois qualifying patients as
10 defined by the Compassionate Use of Medical Cannabis
11 Program Act;

12 (D) the death of an owner of the equity interest in
13 a registrant;

14 (E) the acquisition of a controlling interest in
15 the stock or substantially all of the assets of a
16 publicly traded company;

17 (F) a transfer by a parent company to a wholly
18 owned subsidiary; or

19 (G) the transfer or sale to or by one person to
20 another person where both persons were initial owners
21 of the registration when the registration was issued;

22 or

23 (2) the cannabis cultivation center registration,
24 medical cannabis dispensary registration, or the
25 controlling interest in a registrant's property is
26 transferred in a transaction to lineal descendants in

1 which no gain or loss is recognized or as a result of a
2 transaction in accordance with Section 351 of the Internal
3 Revenue Code in which no gain or loss is recognized.

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

7 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

8 Sec. 203. Base income defined.

9 (a) Individuals.

10 (1) In general. In the case of an individual, base
11 income means an amount equal to the taxpayer's adjusted
12 gross income for the taxable year as modified by paragraph
13 (2).

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

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

24 (B) An amount equal to the amount of tax imposed by
25 this Act to the extent deducted from gross income in

1 the computation of adjusted gross income for the
2 taxable year;

3 (B-1) For Illinois residents, an amount equal to
4 the amount of tax imposed by other state and local
5 jurisdictions on partnerships or Subchapter S
6 corporations in which the resident is a direct or
7 indirect owner to the extent deducted from gross
8 income in the resident's computation of adjusted gross
9 income for the taxable year;

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

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

26 (D-5) An amount, to the extent not included in

1 adjusted gross income, equal to the amount of money
2 withdrawn by the taxpayer in the taxable year from a
3 medical care savings account and the interest earned
4 on the account in the taxable year of a withdrawal
5 pursuant to subsection (b) of Section 20 of the
6 Medical Care Savings Account Act or subsection (b) of
7 Section 20 of the Medical Care Savings Account Act of
8 2000;

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

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

19 (D-16) 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 the aggregate amount of the
24 deductions taken in all taxable years under
25 subparagraph (Z) with respect to that property.

26 If the taxpayer continues to own property through

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

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

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

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

11 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

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

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

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

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

23 This paragraph shall not apply to the following:

24 (i) any item of intangible expenses or costs
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with a person who

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

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

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

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

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

1 writing to the application or use of an
2 alternative method of apportionment under Section
3 304(f);

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

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

1 same taxable year and received by the taxpayer or by a
2 member of the taxpayer's unitary business group
3 (including amounts included in gross income under
4 Sections 951 through 964 of the Internal Revenue Code
5 and amounts included in gross income under Section 78
6 of the Internal Revenue Code) with respect to the
7 stock of the same person to whom the premiums and costs
8 were directly or indirectly paid, incurred, or
9 accrued. The preceding sentence does not apply to the
10 extent that the same dividends caused a reduction to
11 the addition modification required under Section
12 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this
13 Act. ~~;~~

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

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

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

1 out-of-state program distributes its offering
2 materials;

3 (D-20.5) For taxable years beginning on or after
4 January 1, 2018, in the case of a distribution from a
5 qualified ABLE program under Section 529A of the
6 Internal Revenue Code, other than a distribution from
7 a qualified ABLE program created under Section 16.6 of
8 the State Treasurer Act, an amount equal to the amount
9 excluded from gross income under Section 529A(c)(1)(B)
10 of the Internal Revenue Code;

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

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

1 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this
2 Section;

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

1 that is not used for qualified disability expenses, an
2 amount equal to the contribution component of the
3 nonqualified withdrawal or refund that was previously
4 deducted from base income under subsection (a)(2)(HH)
5 of this Section;

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

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

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 (II) An amount equal to a pass-through owner's
3 direct share of business income apportionable to
4 Illinois and nonbusiness income allocated to Illinois
5 under Section 303 of this Act that was included by a
6 partnership or Subchapter S corporation in its
7 computation of the elective tax under subsection (d-2)
8 of Section 201. This subparagraph (II) is exempt from
9 the provisions of Section 250; and

10 (JJ) An amount equal to an individual's indirect
11 share of business income apportionable to Illinois and
12 nonbusiness income allocated to Illinois under Section
13 303 of this Act that was included by a partnership or
14 Subchapter S corporation in its computation of the
15 elective tax under subsection (d-2) of Section 201,
16 multiplied by: (i) 30.3% if the individual is a direct
17 shareholder in a Subchapter S corporation that is a
18 direct partner in a partnership that elected tax under
19 subsection (d-2) of Section 201; (ii) 100% if the
20 individual is a beneficiary of a trust that is a direct
21 owner in an entity that elected tax under subsection
22 (d-2) of Section 201, to the extent income is
23 distributed by the trust to the beneficiary; or (iii)
24 30.3% if the individual is a beneficiary of a trust
25 that is a direct shareholder in a Subchapter S
26 corporation that is a direct partner in a partnership

1 that elected tax under subsection (d-2) of Section
2 201, to the extent income is distributed by the trust
3 to the beneficiary. This subparagraph (JJ) is exempt
4 from the provisions of Section 250.

5 (b) Corporations.

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

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

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

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

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

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

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

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

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

1 base income of an earlier taxable year, and

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

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

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

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

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

1 addition modification under subparagraph (E-10), then
2 an amount equal to the aggregate amount of the
3 deductions taken in all taxable years under
4 subparagraph (T) with respect to that property.

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

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

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

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

16 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

26 Nothing in this subsection shall preclude the

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

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

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

1 similar types of intangible assets.

2 This paragraph shall not apply to the following:

3 (i) any item of intangible expenses or costs
4 paid, accrued, or incurred, directly or
5 indirectly, from a transaction with a person who
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 item; or

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

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

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

26 (iii) any item of intangible expense or cost

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

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

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

1 she is ordinarily required to apportion business
2 income under different subsections of Section 304. The
3 addition modification required by this subparagraph
4 shall be reduced to the extent that dividends were
5 included in base income of the unitary group for the
6 same taxable year and received by the taxpayer or by a
7 member of the taxpayer's unitary business group
8 (including amounts included in gross income under
9 Sections 951 through 964 of the Internal Revenue Code
10 and amounts included in gross income under Section 78
11 of the Internal Revenue Code) with respect to the
12 stock of the same person to whom the premiums and costs
13 were directly or indirectly paid, incurred, or
14 accrued. The preceding sentence does not apply to the
15 extent that the same dividends caused a reduction to
16 the addition modification required under Section
17 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this
18 Act;

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

25 (E-16) An amount equal to the credit allowable to
26 the taxpayer under Section 218(a) of this Act,

1 determined without regard to Section 218(c) of this
2 Act;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (M-1) 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 High Impact
26 Business Investment Credit. To determine the portion

1 of a loan or loans that is secured by property eligible
2 for a Section 201(h) 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(h)
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 a federally designated Foreign Trade Zone or
10 Sub-Zone located in Illinois. No taxpayer that is
11 eligible for the deduction provided in subparagraph
12 (M) of paragraph (2) of this subsection shall be
13 eligible for the deduction provided under this
14 subparagraph (M-1). The subtraction modification
15 available to taxpayers in any year under this
16 subsection shall be that portion of the total interest
17 paid by the borrower with respect to such loan
18 attributable to the eligible property as calculated
19 under the previous sentence;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 she is ordinarily required to apportion business
2 income under different subsections of Section 304, but
3 not to exceed the addition modification required to be
4 made for the same taxable year under Section
5 203(b)(2)(E-13) for intangible expenses and costs
6 paid, accrued, or incurred, directly or indirectly, to
7 the same foreign person. This subparagraph (X) is
8 exempt from the provisions of Section 250;

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

25 (Z) The difference between the nondeductible
26 controlled foreign corporation dividends under Section

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

7 (AA) An amount equal to a pass-through owner's
8 direct share of business income apportionable to
9 Illinois and nonbusiness income allocated to Illinois
10 under Section 303 of this Act that was included by a
11 partnership or Subchapter S corporation in its
12 computation of the elective tax under subsection (d-2)
13 of Section 201. This subparagraph (AA) is exempt from
14 the provisions of Section 250.

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

23 (c) Trusts and estates.

24 (1) In general. In the case of a trust or estate, base
25 income means an amount equal to the taxpayer's taxable

1 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

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

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

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

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

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

1 of this subparagraph (E) for each such taxable year;

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

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

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

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

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

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

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

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

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

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

15 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

1 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

18 (G-15) An amount equal to the credit allowable to
19 the taxpayer under Section 218(a) of this Act,
20 determined without regard to Section 218(c) of this
21 Act;

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

26 and by deducting from the total so obtained the sum of the

1 following amounts:

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

13 (I) The valuation limitation amount;

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

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

1 premium amortization;

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

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

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

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

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

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

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

25 (R) For taxable years 2001 and thereafter, for the
26 taxable year in which the bonus depreciation deduction

1 is taken on the taxpayer's federal income tax return
2 under subsection (k) of Section 168 of the Internal
3 Revenue Code and for each applicable taxable year
4 thereafter, an amount equal to "x", where:

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

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

16 (3) for taxable years ending after December
17 31, 2005:

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

23 (ii) for property on which a bonus
24 depreciation deduction of 50% of the adjusted
25 basis was taken, "x" equals "y" multiplied by
26 1.0.

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

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

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

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

24 This subparagraph (S) is exempt from the
25 provisions of Section 250;

26 (T) The amount of (i) any interest income (net of

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

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

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

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

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

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

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

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

8 (Z) For taxable years beginning after December 31,
9 2018 and before January 1, 2026, the amount of excess
10 business loss of the taxpayer disallowed as a
11 deduction by Section 461(1)(1)(B) of the Internal
12 Revenue Code; ~~and~~

13 (AA) An amount equal to a pass-through owner's
14 direct share of business income apportionable to
15 Illinois and nonbusiness income allocated to Illinois
16 under Section 303 of this Act that was included by a
17 partnership or Subchapter S corporation in its
18 computation of the elective tax under subsection (d-2)
19 of Section 201. This subparagraph (AA) is exempt from
20 the provisions of Section 250; and

21 (BB) An amount equal to a trust's indirect share
22 of business income apportionable to Illinois and
23 nonbusiness income allocated to Illinois under Section
24 303 of this Act that was included by a partnership in
25 its computation of the elective tax under subsection
26 (d-2) of Section 201, multiplied by 23.26% if the

1 trust is a direct shareholder in a Subchapter S
2 corporation that is a direct partner in a partnership
3 that elected tax under subsection (d-2) of Section
4 201, to the extent income is not distributed by the
5 trust to its beneficiaries. This subparagraph (BB) is
6 exempt from the provisions of Section 250.

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

14 (d) Partnerships.

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

18 (2) Modifications. The taxable income referred to in
19 paragraph (1) shall be modified by adding thereto the sum
20 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 taxable income;

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

1 this Act to the extent deducted from gross income for
2 the taxable year;

3 (C) The amount of deductions allowed to the
4 partnership pursuant to Section 707 (c) of the
5 Internal Revenue Code in calculating its taxable
6 income;

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

11 (D-5) 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-6) 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-5), then
20 an amount equal to the aggregate amount of the
21 deductions taken in all taxable years under
22 subparagraph (O) 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 (O), 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-7) 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 the 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 pursuant to Sections 951
3 through 964 of the Internal Revenue Code and amounts
4 included in gross income under Section 78 of the
5 Internal Revenue Code) with respect to the stock of
6 the same person to whom the interest was paid,
7 accrued, or 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; and

1 (D-8) 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 pursuant to Sections 951 through 964 of the
24 Internal Revenue Code and amounts included in gross
25 income under Section 78 of the Internal Revenue Code)
26 with respect to the stock of the same person to whom

1 the intangible expenses and costs were directly or
2 indirectly paid, incurred or accrued. The preceding
3 sentence shall not apply to the extent that the same
4 dividends caused a reduction to the addition
5 modification required under Section 203(d)(2)(D-7) 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-9) 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(d) (2) (D-7) or Section 203(d) (2) (D-8) of this Act;

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

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

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

20 (E) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 accounts as calculated under Section 815a of the
2 Internal Revenue Code;

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

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

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

15 (E) Consolidated corporations. In the case of a
16 corporation which is a member of an affiliated group
17 of corporations filing a consolidated income tax
18 return for the taxable year for federal income tax
19 purposes, taxable income determined as if such
20 corporation had filed a separate return for federal
21 income tax purposes for the taxable year and each
22 preceding taxable year for which it was a member of an
23 affiliated group. For purposes of this subparagraph,
24 the taxpayer's separate taxable income shall be
25 determined as if the election provided by Section
26 243(b)(2) of the Internal Revenue Code had been in

1 effect for all such years;

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

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

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

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

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

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

22 (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

1 such taxable year, whether in respect of property values as of
2 August 1, 1969 or otherwise.

3 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;
4 101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

5 (35 ILCS 5/502) (from Ch. 120, par. 5-502)

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

8 Sec. 502. Returns and notices.

9 (a) In general. A return with respect to the taxes imposed
10 by this Act shall be made by every person for any taxable year:

11 (1) for which such person is liable for a tax imposed
12 by this Act, or

13 (2) in the case of a resident or in the case of a
14 corporation which is qualified to do business in this
15 State, for which such person is required to make a federal
16 income tax return, regardless of whether such person is
17 liable for a tax imposed by this Act. However, this
18 paragraph shall not require a resident to make a return if
19 such person has an Illinois base income of the basic
20 amount in Section 204(b) or less and is either claimed as a
21 dependent on another person's tax return under the
22 Internal Revenue Code, or is claimed as a dependent on
23 another person's tax return under this Act.

24 Notwithstanding the provisions of paragraph (1), a
25 nonresident (other than, for taxable years ending on or after

1 December 31, 2011, a nonresident required to withhold tax
2 under Section 709.5) whose Illinois income tax liability under
3 subsections (a), (b), (c), and (d) of Section 201 of this Act
4 is paid in full after taking into account the credits allowed
5 under subsection (f) of this Section or allowed under Section
6 709.5 of this Act shall not be required to file a return under
7 this subsection (a). In addition, a nonresident individual
8 with no Illinois income tax liability under subsections (a),
9 (b), (c), and (d) of Section 201 of this Act after taking into
10 account the modifications in subsections (a)(2)(II) and
11 (a)(2)(JJ) of Section 203 shall not be required to file a
12 return under this subsection (a).

13 (b) Fiduciaries and receivers.

14 (1) Decedents. If an individual is deceased, any
15 return or notice required of such individual under this
16 Act shall be made by his executor, administrator, or other
17 person charged with the property of such decedent.

18 (2) Individuals under a disability. If an individual
19 is unable to make a return or notice required under this
20 Act, the return or notice required of such individual
21 shall be made by his duly authorized agent, guardian,
22 fiduciary or other person charged with the care of the
23 person or property of such individual.

24 (3) Estates and trusts. Returns or notices required of
25 an estate or a trust shall be made by the fiduciary
26 thereof.

1 (4) Receivers, trustees and assignees for
2 corporations. In a case where a receiver, trustee in
3 bankruptcy, or assignee, by order of a court of competent
4 jurisdiction, by operation of law, or otherwise, has
5 possession of or holds title to all or substantially all
6 the property or business of a corporation, whether or not
7 such property or business is being operated, such
8 receiver, trustee, or assignee shall make the returns and
9 notices required of such corporation in the same manner
10 and form as corporations are required to make such returns
11 and notices.

12 (c) Joint returns by husband and wife.

13 (1) Except as provided in paragraph (3):

14 (A) if a husband and wife file a joint federal
15 income tax return for a taxable year ending before
16 December 31, 2009, they shall file a joint return
17 under this Act for such taxable year and their
18 liabilities shall be joint and several;

19 (B) if a husband and wife file a joint federal
20 income tax return for a taxable year ending on or after
21 December 31, 2009, they may elect to file separate
22 returns under this Act for such taxable year. The
23 election under this paragraph must be made on or
24 before the due date (including extensions) of the
25 return and, once made, shall be irrevocable. If no
26 election is timely made under this paragraph for a

1 taxable year:

2 (i) the couple must file a joint return under
3 this Act for such taxable year,

4 (ii) their liabilities shall be joint and
5 several, and

6 (iii) any overpayment for that taxable year
7 may be withheld under Section 909 of this Act or
8 under Section 2505-275 of the Civil Administrative
9 Code of Illinois and applied against a debt of
10 either spouse without regard to the amount of the
11 overpayment attributable to the other spouse; and

12 (C) if the federal income tax liability of either
13 spouse is determined on a separate federal income tax
14 return, they shall file separate returns under this
15 Act.

16 (2) If neither spouse is required to file a federal
17 income tax return and either or both are required to file a
18 return under this Act, they may elect to file separate or
19 joint returns and pursuant to such election their
20 liabilities shall be separate or joint and several.

21 (3) If either husband or wife is a resident and the
22 other is a nonresident, they shall file separate returns
23 in this State on such forms as may be required by the
24 Department in which event their tax liabilities shall be
25 separate; but if they file a joint federal income tax
26 return for a taxable year, they may elect to determine

1 their joint net income and file a joint return for that
2 taxable year under the provisions of paragraph (1) of this
3 subsection as if both were residents and in such case,
4 their liabilities shall be joint and several.

5 (4) Innocent spouses.

6 (A) However, for tax liabilities arising and paid
7 prior to August 13, 1999, an innocent spouse shall be
8 relieved of liability for tax (including interest and
9 penalties) for any taxable year for which a joint
10 return has been made, upon submission of proof that
11 the Internal Revenue Service has made a determination
12 under Section 6013(e) of the Internal Revenue Code,
13 for the same taxable year, which determination
14 relieved the spouse from liability for federal income
15 taxes. If there is no federal income tax liability at
16 issue for the same taxable year, the Department shall
17 rely on the provisions of Section 6013(e) to determine
18 whether the person requesting innocent spouse
19 abatement of tax, penalty, and interest is entitled to
20 that relief.

21 (B) For tax liabilities arising on and after
22 August 13, 1999 or which arose prior to that date, but
23 remain unpaid as of that date, if an individual who
24 filed a joint return for any taxable year has made an
25 election under this paragraph, the individual's
26 liability for any tax shown on the joint return shall

1 not exceed the individual's separate return amount and
2 the individual's liability for any deficiency assessed
3 for that taxable year shall not exceed the portion of
4 the deficiency properly allocable to the individual.
5 For purposes of this paragraph:

6 (i) An election properly made pursuant to
7 Section 6015 of the Internal Revenue Code shall
8 constitute an election under this paragraph,
9 provided that the election shall not be effective
10 until the individual has notified the Department
11 of the election in the form and manner prescribed
12 by the Department.

13 (ii) If no election has been made under
14 Section 6015, the individual may make an election
15 under this paragraph in the form and manner
16 prescribed by the Department, provided that no
17 election may be made if the Department finds that
18 assets were transferred between individuals filing
19 a joint return as part of a scheme by such
20 individuals to avoid payment of Illinois income
21 tax and the election shall not eliminate the
22 individual's liability for any portion of a
23 deficiency attributable to an error on the return
24 of which the individual had actual knowledge as of
25 the date of filing.

26 (iii) In determining the separate return

1 amount or portion of any deficiency attributable
2 to an individual, the Department shall follow the
3 provisions in subsections (c) and (d) of Section
4 6015 of the Internal Revenue Code.

5 (iv) In determining the validity of an
6 individual's election under subparagraph (ii) and
7 in determining an electing individual's separate
8 return amount or portion of any deficiency under
9 subparagraph (iii), any determination made by the
10 Secretary of the Treasury, by the United States
11 Tax Court on petition for review of a
12 determination by the Secretary of the Treasury, or
13 on appeal from the United States Tax Court under
14 Section 6015 of the Internal Revenue Code
15 regarding criteria for eligibility or under
16 subsection (d) of Section 6015 of the Internal
17 Revenue Code regarding the allocation of any item
18 of income, deduction, payment, or credit between
19 an individual making the federal election and that
20 individual's spouse shall be conclusively presumed
21 to be correct. With respect to any item that is not
22 the subject of a determination by the Secretary of
23 the Treasury or the federal courts, in any
24 proceeding involving this subsection, the
25 individual making the election shall have the
26 burden of proof with respect to any item except

1 that the Department shall have the burden of proof
2 with respect to items in subdivision (ii).

3 (v) Any election made by an individual under
4 this subsection shall apply to all years for which
5 that individual and the spouse named in the
6 election have filed a joint return.

7 (vi) After receiving a notice that the federal
8 election has been made or after receiving an
9 election under subdivision (ii), the Department
10 shall take no collection action against the
11 electing individual for any liability arising from
12 a joint return covered by the election until the
13 Department has notified the electing individual in
14 writing that the election is invalid or of the
15 portion of the liability the Department has
16 allocated to the electing individual. Within 60
17 days (150 days if the individual is outside the
18 United States) after the issuance of such
19 notification, the individual may file a written
20 protest of the denial of the election or of the
21 Department's determination of the liability
22 allocated to him or her and shall be granted a
23 hearing within the Department under the provisions
24 of Section 908. If a protest is filed, the
25 Department shall take no collection action against
26 the electing individual until the decision

1 regarding the protest has become final under
2 subsection (d) of Section 908 or, if
3 administrative review of the Department's decision
4 is requested under Section 1201, until the
5 decision of the court becomes final.

6 (d) Partnerships. Every partnership having any base income
7 allocable to this State in accordance with section 305(c)
8 shall retain information concerning all items of income, gain,
9 loss and deduction; the names and addresses of all of the
10 partners, or names and addresses of members of a limited
11 liability company, or other persons who would be entitled to
12 share in the base income of the partnership if distributed;
13 the amount of the distributive share of each; and such other
14 pertinent information as the Department may by forms or
15 regulations prescribe. The partnership shall make that
16 information available to the Department when requested by the
17 Department.

18 (e) For taxable years ending on or after December 31,
19 1985, and before December 31, 1993, taxpayers that are
20 corporations (other than Subchapter S corporations) having the
21 same taxable year and that are members of the same unitary
22 business group may elect to be treated as one taxpayer for
23 purposes of any original return, amended return which includes
24 the same taxpayers of the unitary group which joined in the
25 election to file the original return, extension, claim for
26 refund, assessment, collection and payment and determination

1 of the group's tax liability under this Act. This subsection
2 (e) does not permit the election to be made for some, but not
3 all, of the purposes enumerated above. For taxable years
4 ending on or after December 31, 1987, corporate members (other
5 than Subchapter S corporations) of the same unitary business
6 group making this subsection (e) election are not required to
7 have the same taxable year.

8 For taxable years ending on or after December 31, 1993,
9 taxpayers that are corporations (other than Subchapter S
10 corporations) and that are members of the same unitary
11 business group shall be treated as one taxpayer for purposes
12 of any original return, amended return which includes the same
13 taxpayers of the unitary group which joined in filing the
14 original return, extension, claim for refund, assessment,
15 collection and payment and determination of the group's tax
16 liability under this Act.

17 (f) For taxable years ending prior to December 31, 2014,
18 the Department may promulgate regulations to permit
19 nonresident individual partners of the same partnership,
20 nonresident Subchapter S corporation shareholders of the same
21 Subchapter S corporation, and nonresident individuals
22 transacting an insurance business in Illinois under a Lloyds
23 plan of operation, and nonresident individual members of the
24 same limited liability company that is treated as a
25 partnership under Section 1501 (a)(16) of this Act, to file
26 composite individual income tax returns reflecting the

1 composite income of such individuals allocable to Illinois and
2 to make composite individual income tax payments. For taxable
3 years ending prior to December 31, 2014, the Department may by
4 regulation also permit such composite returns to include the
5 income tax owed by Illinois residents attributable to their
6 income from partnerships, Subchapter S corporations, insurance
7 businesses organized under a Lloyds plan of operation, or
8 limited liability companies that are treated as partnership
9 under Section 1501(a)(16) of this Act, in which case such
10 Illinois residents will be permitted to claim credits on their
11 individual returns for their shares of the composite tax
12 payments. This paragraph of subsection (f) applies to taxable
13 years ending on or after December 31, 1987 and ending prior to
14 December 31, 2014.

15 For taxable years ending on or after December 31, 1999,
16 the Department may, by regulation, permit any persons
17 transacting an insurance business organized under a Lloyds
18 plan of operation to file composite returns reflecting the
19 income of such persons allocable to Illinois and the tax rates
20 applicable to such persons under Section 201 and to make
21 composite tax payments and shall, by regulation, also provide
22 that the income and apportionment factors attributable to the
23 transaction of an insurance business organized under a Lloyds
24 plan of operation by any person joining in the filing of a
25 composite return shall, for purposes of allocating and
26 apportioning income under Article 3 of this Act and computing

1 net income under Section 202 of this Act, be excluded from any
2 other income and apportionment factors of that person or of
3 any unitary business group, as defined in subdivision (a) (27)
4 of Section 1501, to which that person may belong.

5 For taxable years ending on or after December 31, 2008,
6 every nonresident shall be allowed a credit against his or her
7 liability under subsections (a) and (b) of Section 201 for any
8 amount of tax reported on a composite return and paid on his or
9 her behalf under this subsection (f). Residents (other than
10 persons transacting an insurance business organized under a
11 Lloyds plan of operation) may claim a credit for taxes
12 reported on a composite return and paid on their behalf under
13 this subsection (f) only as permitted by the Department by
14 rule.

15 (f-5) For taxable years ending on or after December 31,
16 2008, the Department may adopt rules to provide that, when a
17 partnership or Subchapter S corporation has made an error in
18 determining the amount of any item of income, deduction,
19 addition, subtraction, or credit required to be reported on
20 its return that affects the liability imposed under this Act
21 on a partner or shareholder, the partnership or Subchapter S
22 corporation may report the changes in liabilities of its
23 partners or shareholders and claim a refund of the resulting
24 overpayments, or pay the resulting underpayments, on behalf of
25 its partners and shareholders.

26 (g) The Department may adopt rules to authorize the

1 electronic filing of any return required to be filed under
2 this Section.

3 (Source: P.A. 97-507, eff. 8-23-11; 98-478, eff. 1-1-14.)

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

6 Sec. 502. Returns and notices.

7 (a) In general. A return with respect to the taxes imposed
8 by this Act shall be made by every person for any taxable year:

9 (1) for which such person is liable for a tax imposed
10 by this Act, or

11 (2) in the case of a resident or in the case of a
12 corporation which is qualified to do business in this
13 State, for which such person is required to make a federal
14 income tax return, regardless of whether such person is
15 liable for a tax imposed by this Act. However, this
16 paragraph shall not require a resident to make a return if
17 such person has an Illinois base income of the basic
18 amount in Section 204(b) or less and is either claimed as a
19 dependent on another person's tax return under the
20 Internal Revenue Code, or is claimed as a dependent on
21 another person's tax return under this Act.

22 Notwithstanding the provisions of paragraph (1), a
23 nonresident (other than, for taxable years ending on or after
24 December 31, 2011, a nonresident required to withhold tax
25 under Section 709.5) whose Illinois income tax liability under

1 subsections (a), (b), (c), and (d) of Section 201 of this Act
2 is paid in full after taking into account the credits allowed
3 under subsection (f) of this Section or allowed under Section
4 709.5 of this Act shall not be required to file a return under
5 this subsection (a). In addition, a nonresident individual
6 with no Illinois income tax liability under subsections (a),
7 (b), (c), and (d) of Section 201 of this Act after taking into
8 account the modifications in subsections (a)(2)(II) and
9 (a)(2)(JJ) of Section 203 shall not be required to file a
10 return under this subsection (a).

11 (b) Fiduciaries and receivers.

12 (1) Decedents. If an individual is deceased, any
13 return or notice required of such individual under this
14 Act shall be made by his executor, administrator, or other
15 person charged with the property of such decedent.

16 (2) Individuals under a disability. If an individual
17 is unable to make a return or notice required under this
18 Act, the return or notice required of such individual
19 shall be made by his duly authorized agent, guardian,
20 fiduciary or other person charged with the care of the
21 person or property of such individual.

22 (3) Estates and trusts. Returns or notices required of
23 an estate or a trust shall be made by the fiduciary
24 thereof.

25 (4) Receivers, trustees and assignees for
26 corporations. In a case where a receiver, trustee in

1 bankruptcy, or assignee, by order of a court of competent
2 jurisdiction, by operation of law, or otherwise, has
3 possession of or holds title to all or substantially all
4 the property or business of a corporation, whether or not
5 such property or business is being operated, such
6 receiver, trustee, or assignee shall make the returns and
7 notices required of such corporation in the same manner
8 and form as corporations are required to make such returns
9 and notices.

10 (c) Joint returns by husband and wife ~~spouses~~.

11 (1) Except as provided in paragraph (3):

12 (A) if a husband and wife ~~spouses~~ file a joint
13 federal income tax return for a taxable year ending
14 before December 31, 2009 ~~or ending on or after~~
15 ~~December 31, 2021~~, they shall file a joint return
16 under this Act for such taxable year and their
17 liabilities shall be joint and several;

18 (B) if a husband and wife ~~spouses~~ file a joint
19 federal income tax return for a taxable year ending on
20 or after December 31, 2009 ~~and ending prior to~~
21 ~~December 31, 2021~~, they may elect to file separate
22 returns under this Act for such taxable year. The
23 election under this paragraph must be made on or
24 before the due date (including extensions) of the
25 return and, once made, shall be irrevocable. If no
26 election is timely made under this paragraph for a

1 taxable year:

2 (i) the couple must file a joint return under
3 this Act for such taxable year,

4 (ii) their liabilities shall be joint and
5 several, and

6 (iii) any overpayment for that taxable year
7 may be withheld under Section 909 of this Act or
8 under Section 2505-275 of the Civil Administrative
9 Code of Illinois and applied against a debt of
10 either spouse without regard to the amount of the
11 overpayment attributable to the other spouse; and

12 (C) if the federal income tax liability of either
13 spouse is determined on a separate federal income tax
14 return, they shall file separate returns under this
15 Act.

16 (2) If neither spouse is required to file a federal
17 income tax return and either or both are required to file a
18 return under this Act, they may elect to file separate or
19 joint returns and pursuant to such election their
20 liabilities shall be separate or joint and several.

21 (3) If either husband or wife ~~spouse~~ is a resident and
22 the other is a nonresident, they shall file separate
23 returns in this State on such forms as may be required by
24 the Department in which event their tax liabilities shall
25 be separate; but if they file a joint federal income tax
26 return for a taxable year, they may elect to determine

1 their joint net income and file a joint return for that
2 taxable year under the provisions of paragraph (1) of this
3 subsection as if both were residents and in such case,
4 their liabilities shall be joint and several.

5 (4) Innocent spouses.

6 (A) However, for tax liabilities arising and paid
7 prior to August 13, 1999, an innocent spouse shall be
8 relieved of liability for tax (including interest and
9 penalties) for any taxable year for which a joint
10 return has been made, upon submission of proof that
11 the Internal Revenue Service has made a determination
12 under Section 6013(e) of the Internal Revenue Code,
13 for the same taxable year, which determination
14 relieved the spouse from liability for federal income
15 taxes. If there is no federal income tax liability at
16 issue for the same taxable year, the Department shall
17 rely on the provisions of Section 6013(e) to determine
18 whether the person requesting innocent spouse
19 abatement of tax, penalty, and interest is entitled to
20 that relief.

21 (B) For tax liabilities arising on and after
22 August 13, 1999 or which arose prior to that date, but
23 remain unpaid as of that date, if an individual who
24 filed a joint return for any taxable year has made an
25 election under this paragraph, the individual's
26 liability for any tax shown on the joint return shall

1 not exceed the individual's separate return amount and
2 the individual's liability for any deficiency assessed
3 for that taxable year shall not exceed the portion of
4 the deficiency properly allocable to the individual.
5 For purposes of this paragraph:

6 (i) An election properly made pursuant to
7 Section 6015 of the Internal Revenue Code shall
8 constitute an election under this paragraph,
9 provided that the election shall not be effective
10 until the individual has notified the Department
11 of the election in the form and manner prescribed
12 by the Department.

13 (ii) If no election has been made under
14 Section 6015, the individual may make an election
15 under this paragraph in the form and manner
16 prescribed by the Department, provided that no
17 election may be made if the Department finds that
18 assets were transferred between individuals filing
19 a joint return as part of a scheme by such
20 individuals to avoid payment of Illinois income
21 tax and the election shall not eliminate the
22 individual's liability for any portion of a
23 deficiency attributable to an error on the return
24 of which the individual had actual knowledge as of
25 the date of filing.

26 (iii) In determining the separate return

1 amount or portion of any deficiency attributable
2 to an individual, the Department shall follow the
3 provisions in subsections (c) and (d) of Section
4 6015 of the Internal Revenue Code.

5 (iv) In determining the validity of an
6 individual's election under subparagraph (ii) and
7 in determining an electing individual's separate
8 return amount or portion of any deficiency under
9 subparagraph (iii), any determination made by the
10 Secretary of the Treasury, by the United States
11 Tax Court on petition for review of a
12 determination by the Secretary of the Treasury, or
13 on appeal from the United States Tax Court under
14 Section 6015 of the Internal Revenue Code
15 regarding criteria for eligibility or under
16 subsection (d) of Section 6015 of the Internal
17 Revenue Code regarding the allocation of any item
18 of income, deduction, payment, or credit between
19 an individual making the federal election and that
20 individual's spouse shall be conclusively presumed
21 to be correct. With respect to any item that is not
22 the subject of a determination by the Secretary of
23 the Treasury or the federal courts, in any
24 proceeding involving this subsection, the
25 individual making the election shall have the
26 burden of proof with respect to any item except

1 that the Department shall have the burden of proof
2 with respect to items in subdivision (ii).

3 (v) Any election made by an individual under
4 this subsection shall apply to all years for which
5 that individual and the spouse named in the
6 election have filed a joint return.

7 (vi) After receiving a notice that the federal
8 election has been made or after receiving an
9 election under subdivision (ii), the Department
10 shall take no collection action against the
11 electing individual for any liability arising from
12 a joint return covered by the election until the
13 Department has notified the electing individual in
14 writing that the election is invalid or of the
15 portion of the liability the Department has
16 allocated to the electing individual. Within 60
17 days (150 days if the individual is outside the
18 United States) after the issuance of such
19 notification, the individual may file a written
20 protest of the denial of the election or of the
21 Department's determination of the liability
22 allocated to him or her and shall be granted a
23 hearing within the Department under the provisions
24 of Section 908. If a protest is filed, the
25 Department shall take no collection action against
26 the electing individual until the decision

1 regarding the protest has become final under
2 subsection (d) of Section 908 or, if
3 administrative review of the Department's decision
4 is requested under Section 1201, until the
5 decision of the court becomes final.

6 (d) Partnerships. Every partnership having any base income
7 allocable to this State in accordance with section 305(c)
8 shall retain information concerning all items of income, gain,
9 loss and deduction; the names and addresses of all of the
10 partners, or names and addresses of members of a limited
11 liability company, or other persons who would be entitled to
12 share in the base income of the partnership if distributed;
13 the amount of the distributive share of each; and such other
14 pertinent information as the Department may by forms or
15 regulations prescribe. The partnership shall make that
16 information available to the Department when requested by the
17 Department.

18 (e) For taxable years ending on or after December 31,
19 1985, and before December 31, 1993, taxpayers that are
20 corporations (other than Subchapter S corporations) having the
21 same taxable year and that are members of the same unitary
22 business group may elect to be treated as one taxpayer for
23 purposes of any original return, amended return which includes
24 the same taxpayers of the unitary group which joined in the
25 election to file the original return, extension, claim for
26 refund, assessment, collection and payment and determination

1 of the group's tax liability under this Act. This subsection
2 (e) does not permit the election to be made for some, but not
3 all, of the purposes enumerated above. For taxable years
4 ending on or after December 31, 1987, corporate members (other
5 than Subchapter S corporations) of the same unitary business
6 group making this subsection (e) election are not required to
7 have the same taxable year.

8 For taxable years ending on or after December 31, 1993,
9 taxpayers that are corporations (other than Subchapter S
10 corporations) and that are members of the same unitary
11 business group shall be treated as one taxpayer for purposes
12 of any original return, amended return which includes the same
13 taxpayers of the unitary group which joined in filing the
14 original return, extension, claim for refund, assessment,
15 collection and payment and determination of the group's tax
16 liability under this Act.

17 (f) For taxable years ending prior to December 31, 2014,
18 the Department may promulgate regulations to permit
19 nonresident individual partners of the same partnership,
20 nonresident Subchapter S corporation shareholders of the same
21 Subchapter S corporation, and nonresident individuals
22 transacting an insurance business in Illinois under a Lloyds
23 plan of operation, and nonresident individual members of the
24 same limited liability company that is treated as a
25 partnership under Section 1501 (a)(16) of this Act, to file
26 composite individual income tax returns reflecting the

1 composite income of such individuals allocable to Illinois and
2 to make composite individual income tax payments. For taxable
3 years ending prior to December 31, 2014, the Department may by
4 regulation also permit such composite returns to include the
5 income tax owed by Illinois residents attributable to their
6 income from partnerships, Subchapter S corporations, insurance
7 businesses organized under a Lloyds plan of operation, or
8 limited liability companies that are treated as partnership
9 under Section 1501(a)(16) of this Act, in which case such
10 Illinois residents will be permitted to claim credits on their
11 individual returns for their shares of the composite tax
12 payments. This paragraph of subsection (f) applies to taxable
13 years ending on or after December 31, 1987 and ending prior to
14 December 31, 2014.

15 For taxable years ending on or after December 31, 1999,
16 the Department may, by regulation, permit any persons
17 transacting an insurance business organized under a Lloyds
18 plan of operation to file composite returns reflecting the
19 income of such persons allocable to Illinois and the tax rates
20 applicable to such persons under Section 201 and to make
21 composite tax payments and shall, by regulation, also provide
22 that the income and apportionment factors attributable to the
23 transaction of an insurance business organized under a Lloyds
24 plan of operation by any person joining in the filing of a
25 composite return shall, for purposes of allocating and
26 apportioning income under Article 3 of this Act and computing

1 net income under Section 202 of this Act, be excluded from any
2 other income and apportionment factors of that person or of
3 any unitary business group, as defined in subdivision (a) (27)
4 of Section 1501, to which that person may belong.

5 For taxable years ending on or after December 31, 2008,
6 every nonresident shall be allowed a credit against his or her
7 liability under subsections (a) and (b) of Section 201 for any
8 amount of tax reported on a composite return and paid on his or
9 her behalf under this subsection (f). Residents (other than
10 persons transacting an insurance business organized under a
11 Lloyds plan of operation) may claim a credit for taxes
12 reported on a composite return and paid on their behalf under
13 this subsection (f) only as permitted by the Department by
14 rule.

15 (f-5) For taxable years ending on or after December 31,
16 2008, the Department may adopt rules to provide that, when a
17 partnership or Subchapter S corporation has made an error in
18 determining the amount of any item of income, deduction,
19 addition, subtraction, or credit required to be reported on
20 its return that affects the liability imposed under this Act
21 on a partner or shareholder, the partnership or Subchapter S
22 corporation may report the changes in liabilities of its
23 partners or shareholders and claim a refund of the resulting
24 overpayments, or pay the resulting underpayments, on behalf of
25 its partners and shareholders.

26 (g) The Department may adopt rules to authorize the

1 electronic filing of any return required to be filed under
2 this Section.

3 (Source: P.A. 101-8, see Section 99 for effective date.)

4 (35 ILCS 5/601) (from Ch. 120, par. 6-601)

5 Sec. 601. Payment on due date of return.

6 (a) In general. Every taxpayer required to file a return
7 under this Act shall, without assessment, notice or demand,
8 pay any tax due thereon to the Department, at the place fixed
9 for filing, on or before the date fixed for filing such return
10 (determined without regard to any extension of time for filing
11 the return) pursuant to regulations prescribed by the
12 Department. If, however, the due date for payment of a
13 taxpayer's federal income tax liability for a tax year (as
14 provided in the Internal Revenue Code or by Treasury
15 regulation, or as extended by the Internal Revenue Service) is
16 later than the date fixed for filing the taxpayer's Illinois
17 income tax return for that tax year, the Department may, by
18 rule, prescribe a due date for payment that is not later than
19 the due date for payment of the taxpayer's federal income tax
20 liability. For purposes of the Illinois Administrative
21 Procedure Act, the adoption of rules to prescribe a later due
22 date for payment shall be deemed an emergency and necessary
23 for the public interest, safety, and welfare.

24 (b) Amount payable. In making payment as provided in this
25 section there shall remain payable only the balance of such

1 tax remaining due after giving effect to the following:

2 (1) Withheld tax. Any amount withheld during any
3 calendar year pursuant to Article 7 from compensation paid
4 to a taxpayer shall be deemed to have been paid on account
5 of any tax imposed by subsections 201(a) and (b) of this
6 Act on such taxpayer for his taxable year beginning in
7 such calendar year. If more than one taxable year begins
8 in a calendar year, such amount shall be deemed to have
9 been paid on account of such tax for the last taxable year
10 so beginning.

11 (2) Estimated and tentative tax payments. Any amount
12 of estimated tax paid by a taxpayer pursuant to Article 8
13 for a taxable year shall be deemed to have been paid on
14 account of the tax imposed by this Act for such taxable
15 year.

16 (3) Foreign tax. The aggregate amount of tax which is
17 imposed upon or measured by income and which is paid by a
18 resident for a taxable year to another state or states on
19 income which is also subject to the tax imposed by
20 subsections 201(a) and (b) of this Act shall be credited
21 against the tax imposed by subsections 201(a) and (b)
22 otherwise due under this Act for such taxable year. For
23 taxable years ending prior to December 31, 2009, the
24 aggregate credit provided under this paragraph shall not
25 exceed that amount which bears the same ratio to the tax
26 imposed by subsections 201(a) and (b) otherwise due under

1 this Act as the amount of the taxpayer's base income
2 subject to tax both by such other state or states and by
3 this State bears to his total base income subject to tax by
4 this State for the taxable year. For taxable years ending
5 on or after December 31, 2009, the credit provided under
6 this paragraph for tax paid to other states shall not
7 exceed that amount which bears the same ratio to the tax
8 imposed by subsections 201(a) and (b) otherwise due under
9 this Act as the amount of the taxpayer's base income that
10 would be allocated or apportioned to other states if all
11 other states had adopted the provisions in Article 3 of
12 this Act bears to the taxpayer's total base income subject
13 to tax by this State for the taxable year. This subsection
14 is exempt from the 30-day threshold set forth in
15 subparagraph (iii) of paragraph (B) of item (2) of
16 subsection (a) of Section 304. The credit provided by this
17 paragraph shall not be allowed if any creditable tax was
18 deducted in determining base income for the taxable year.
19 For taxable years beginning on or after January 1, 2021,
20 the amount of tax available for computing this credit
21 shall include a taxpayer's share as a partner and
22 Subchapter S corporation shareholder of taxes based on
23 income that are imposed on partnerships and Subchapter S
24 corporations in which the taxpayer is a direct or indirect
25 owner. Any person claiming such credit shall attach a
26 statement in support thereof and shall notify the Director

1 of any refund or reductions in the amount of tax claimed as
2 a credit hereunder all in such manner and at such time as
3 the Department shall by regulations prescribe.

4 (4) Accumulation and capital gain distributions. If
5 the net income of a taxpayer includes amounts included in
6 his base income by reason of Section 667 of the Internal
7 Revenue Code (relating to accumulation and capital gain
8 distributions by a trust, respectively), the tax imposed
9 on such taxpayer by this Act shall be credited with his pro
10 rata portion of the taxes imposed by this Act on such trust
11 for preceding taxable years which would not have been
12 payable for such preceding years if the trust had in fact
13 made distributions to its beneficiaries at the times and
14 in the amounts specified in Sections 666 and 669 of the
15 Internal Revenue Code. The credit provided by this
16 paragraph shall not reduce the tax otherwise due from the
17 taxpayer to an amount less than that which would be due if
18 the amounts included by reason of Section 667 of the
19 Internal Revenue Code were excluded from his or her base
20 income.

21 (c) Cross reference. For application against tax due of
22 overpayments of tax for a prior year, see Section 909.

23 (Source: P.A. 101-585, eff. 8-26-19.)

24 (35 ILCS 5/709.5)

25 Sec. 709.5. Withholding by partnerships, Subchapter S

1 corporations, and trusts.

2 (a) In general. For each taxable year ending on or after
3 December 31, 2008, every partnership (other than a publicly
4 traded partnership under Section 7704 of the Internal Revenue
5 Code or investment partnership), Subchapter S corporation, and
6 trust must withhold from each nonresident partner,
7 shareholder, or beneficiary (other than a partner,
8 shareholder, or beneficiary who is exempt from tax under
9 Section 501(a) of the Internal Revenue Code or under Section
10 205 of this Act, who is included on a composite return filed by
11 the partnership or Subchapter S corporation for the taxable
12 year under subsection (f) of Section 502 of this Act), or who
13 is a retired partner, to the extent that partner's
14 distributions are exempt from tax under Section 203(a)(2)(F)
15 of this Act) an amount equal to the sum of (i) the share of
16 business income of the partnership, Subchapter S corporation,
17 or trust apportionable to Illinois plus (ii) for taxable years
18 ending on or after December 31, 2014, the share of nonbusiness
19 income of the partnership, Subchapter S corporation, or trust
20 allocated to Illinois under Section 303 of this Act (other
21 than an amount allocated to the commercial domicile of the
22 taxpayer under Section 303 of this Act) that is distributable
23 to that partner, shareholder, or beneficiary under Sections
24 702 and 704 and Subchapter S of the Internal Revenue Code,
25 whether or not distributed, (iii) multiplied by the applicable
26 rates of tax for that partner, shareholder, or beneficiary

1 under subsections (a) through (d) of Section 201 of this Act,
2 and (iv) net of the share of any credit under Article 2 of this
3 Act that is distributable by the partnership, Subchapter S
4 corporation, or trust and allowable against the tax liability
5 of that partner, shareholder, or beneficiary for a taxable
6 year ending on or after December 31, 2014. This Section shall
7 not apply for a partnership or Subchapter S corporation that
8 has elected the tax under subsection (d-2) of Section 201,
9 except a partnership that has elected the tax under subsection
10 (d-2) of Section 201 must withhold under this section on
11 behalf of any pass-through owner that is a partnership.

12 (b) Credit for taxes withheld. Any amount withheld under
13 subsection (a) of this Section and paid to the Department
14 shall be treated as a payment of the estimated tax liability or
15 of the liability for withholding under this Section of the
16 partner, shareholder, or beneficiary to whom the income is
17 distributable for the taxable year in which that person
18 incurred a liability under this Act with respect to that
19 income. The Department shall adopt rules pursuant to which a
20 partner, shareholder, or beneficiary may claim a credit
21 against its obligation for withholding under this Section for
22 amounts withheld under this Section with respect to income
23 distributable to it by a partnership, Subchapter S
24 corporation, or trust and allowing its partners, shareholders,
25 or beneficiaries to claim a credit under this subsection (b)
26 for those withheld amounts.

1 (c) Exemption from withholding.

2 (1) A partnership, Subchapter S corporation, or trust
3 shall not be required to withhold tax under subsection (a)
4 of this Section with respect to any nonresident partner,
5 shareholder, or beneficiary (other than an individual)
6 from whom the partnership, S corporation, or trust has
7 received a certificate, completed in the form and manner
8 prescribed by the Department, stating that such
9 nonresident partner, shareholder, or beneficiary shall:

10 (A) file all returns that the partner,
11 shareholder, or beneficiary is required to file under
12 Section 502 of this Act and make timely payment of all
13 taxes imposed under Section 201 of this Act or under
14 this Section on the partner, shareholder, or
15 beneficiary with respect to income of the partnership,
16 S corporation, or trust; and

17 (B) be subject to personal jurisdiction in this
18 State for purposes of the collection of income taxes,
19 together with related interest and penalties, imposed
20 on the partner, shareholder, or beneficiary with
21 respect to the income of the partnership, S
22 corporation, or trust.

23 (2) The Department may revoke the exemption provided
24 by this subsection (c) at any time that it determines that
25 the nonresident partner, shareholder, or beneficiary is
26 not abiding by the terms of the certificate. The

1 Department shall notify the partnership, S corporation, or
2 trust that it has revoked a certificate by notice left at
3 the usual place of business of the partnership, S
4 corporation, or trust or by mail to the last known address
5 of the partnership, S corporation, or trust.

6 (3) A partnership, S corporation, or trust that
7 receives a certificate under this subsection (c) properly
8 completed by a nonresident partner, shareholder, or
9 beneficiary shall not be required to withhold any amount
10 from that partner, shareholder, or beneficiary, the
11 payment of which would be due under Section 711(a-5) of
12 this Act after the receipt of the certificate and no
13 earlier than 60 days after the Department has notified the
14 partnership, S corporation, or trust that the certificate
15 has been revoked.

16 (4) Certificates received by a partnership, S
17 corporation, or trust under this subsection (c) must be
18 retained by the partnership, S corporation, or trust and a
19 record of such certificates must be provided to the
20 Department, in a format in which the record is available
21 for review by the Department, upon request by the
22 Department. The Department may, by rule, require the
23 record of certificates to be maintained and provided to
24 the Department electronically.

25 (Source: P.A. 100-201, eff. 8-18-17.)

1 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

2 Sec. 1501. Definitions.

3 (a) In general. When used in this Act, where not otherwise
4 distinctly expressed or manifestly incompatible with the
5 intent thereof:

6 (1) Business income. The term "business income" means
7 all income that may be treated as apportionable business
8 income under the Constitution of the United States.
9 Business income is net of the deductions allocable
10 thereto. Such term does not include compensation or the
11 deductions allocable thereto. For each taxable year
12 beginning on or after January 1, 2003, a taxpayer may
13 elect to treat all income other than compensation as
14 business income. This election shall be made in accordance
15 with rules adopted by the Department and, once made, shall
16 be irrevocable.

17 (1.5) Captive real estate investment trust:

18 (A) The term "captive real estate investment
19 trust" means a corporation, trust, or association:

20 (i) that is considered a real estate
21 investment trust for the taxable year under
22 Section 856 of the Internal Revenue Code;

23 (ii) the certificates of beneficial interest
24 or shares of which are not regularly traded on an
25 established securities market; and

26 (iii) of which more than 50% of the voting

1 power or value of the beneficial interest or
2 shares, at any time during the last half of the
3 taxable year, is owned or controlled, directly,
4 indirectly, or constructively, by a single
5 corporation.

6 (B) The term "captive real estate investment
7 trust" does not include:

8 (i) a real estate investment trust of which
9 more than 50% of the voting power or value of the
10 beneficial interest or shares is owned or
11 controlled, directly, indirectly, or
12 constructively, by:

13 (a) a real estate investment trust, other
14 than a captive real estate investment trust;

15 (b) a person who is exempt from taxation
16 under Section 501 of the Internal Revenue
17 Code, and who is not required to treat income
18 received from the real estate investment trust
19 as unrelated business taxable income under
20 Section 512 of the Internal Revenue Code;

21 (c) a listed Australian property trust, if
22 no more than 50% of the voting power or value
23 of the beneficial interest or shares of that
24 trust, at any time during the last half of the
25 taxable year, is owned or controlled, directly
26 or indirectly, by a single person;

1 (d) an entity organized as a trust,
2 provided a listed Australian property trust
3 described in subparagraph (c) owns or
4 controls, directly or indirectly, or
5 constructively, 75% or more of the voting
6 power or value of the beneficial interests or
7 shares of such entity; or

8 (e) an entity that is organized outside of
9 the laws of the United States and that
10 satisfies all of the following criteria:

11 (1) at least 75% of the entity's total
12 asset value at the close of its taxable
13 year is represented by real estate assets
14 (as defined in Section 856(c)(5)(B) of the
15 Internal Revenue Code, thereby including
16 shares or certificates of beneficial
17 interest in any real estate investment
18 trust), cash and cash equivalents, and
19 U.S. Government securities;

20 (2) the entity is not subject to tax
21 on amounts that are distributed to its
22 beneficial owners or is exempt from
23 entity-level taxation;

24 (3) the entity distributes at least
25 85% of its taxable income (as computed in
26 the jurisdiction in which it is organized)

1 to the holders of its shares or
2 certificates of beneficial interest on an
3 annual basis;

4 (4) either (i) the shares or
5 beneficial interests of the entity are
6 regularly traded on an established
7 securities market or (ii) not more than
8 10% of the voting power or value in the
9 entity is held, directly, indirectly, or
10 constructively, by a single entity or
11 individual; and

12 (5) the entity is organized in a
13 country that has entered into a tax treaty
14 with the United States; or

15 (ii) during its first taxable year for which
16 it elects to be treated as a real estate
17 investment trust under Section 856(c)(1) of the
18 Internal Revenue Code, a real estate investment
19 trust the certificates of beneficial interest or
20 shares of which are not regularly traded on an
21 established securities market, but only if the
22 certificates of beneficial interest or shares of
23 the real estate investment trust are regularly
24 traded on an established securities market prior
25 to the earlier of the due date (including
26 extensions) for filing its return under this Act

1 for that first taxable year or the date it
2 actually files that return.

3 (C) For the purposes of this subsection (1.5), the
4 constructive ownership rules prescribed under Section
5 318(a) of the Internal Revenue Code, as modified by
6 Section 856(d)(5) of the Internal Revenue Code, apply
7 in determining the ownership of stock, assets, or net
8 profits of any person.

9 (D) For the purposes of this item (1.5), for
10 taxable years ending on or after August 16, 2007, the
11 voting power or value of the beneficial interest or
12 shares of a real estate investment trust does not
13 include any voting power or value of beneficial
14 interest or shares in a real estate investment trust
15 held directly or indirectly in a segregated asset
16 account by a life insurance company (as described in
17 Section 817 of the Internal Revenue Code) to the
18 extent such voting power or value is for the benefit of
19 entities or persons who are either immune from
20 taxation or exempt from taxation under subtitle A of
21 the Internal Revenue Code.

22 (2) Commercial domicile. The term "commercial
23 domicile" means the principal place from which the trade
24 or business of the taxpayer is directed or managed.

25 (3) Compensation. The term "compensation" means wages,
26 salaries, commissions and any other form of remuneration

1 paid to employees for personal services.

2 (4) Corporation. The term "corporation" includes
3 associations, joint-stock companies, insurance companies
4 and cooperatives. Any entity, including a limited
5 liability company formed under the Illinois Limited
6 Liability Company Act, shall be treated as a corporation
7 if it is so classified for federal income tax purposes.

8 (5) Department. The term "Department" means the
9 Department of Revenue of this State.

10 (6) Director. The term "Director" means the Director
11 of Revenue of this State.

12 (7) Fiduciary. The term "fiduciary" means a guardian,
13 trustee, executor, administrator, receiver, or any person
14 acting in any fiduciary capacity for any person.

15 (8) Financial organization.

16 (A) The term "financial organization" means any
17 bank, bank holding company, trust company, savings
18 bank, industrial bank, land bank, safe deposit
19 company, private banker, savings and loan association,
20 building and loan association, credit union, currency
21 exchange, cooperative bank, small loan company, sales
22 finance company, investment company, or any person
23 which is owned by a bank or bank holding company. For
24 the purpose of this Section a "person" will include
25 only those persons which a bank holding company may
26 acquire and hold an interest in, directly or

1 indirectly, under the provisions of the Bank Holding
2 Company Act of 1956 (12 U.S.C. 1841, et seq.), except
3 where interests in any person must be disposed of
4 within certain required time limits under the Bank
5 Holding Company Act of 1956.

6 (B) For purposes of subparagraph (A) of this
7 paragraph, the term "bank" includes (i) any entity
8 that is regulated by the Comptroller of the Currency
9 under the National Bank Act, or by the Federal Reserve
10 Board, or by the Federal Deposit Insurance Corporation
11 and (ii) any federally or State chartered bank
12 operating as a credit card bank.

13 (C) For purposes of subparagraph (A) of this
14 paragraph, the term "sales finance company" has the
15 meaning provided in the following item (i) or (ii):

16 (i) A person primarily engaged in one or more
17 of the following businesses: the business of
18 purchasing customer receivables, the business of
19 making loans upon the security of customer
20 receivables, the business of making loans for the
21 express purpose of funding purchases of tangible
22 personal property or services by the borrower, or
23 the business of finance leasing. For purposes of
24 this item (i), "customer receivable" means:

25 (a) a retail installment contract or
26 retail charge agreement within the meaning of

1 the Sales Finance Agency Act, the Retail
2 Installment Sales Act, or the Motor Vehicle
3 Retail Installment Sales Act;

4 (b) an installment, charge, credit, or
5 similar contract or agreement arising from the
6 sale of tangible personal property or services
7 in a transaction involving a deferred payment
8 price payable in one or more installments
9 subsequent to the sale; or

10 (c) the outstanding balance of a contract
11 or agreement described in provisions (a) or
12 (b) of this item (i).

13 A customer receivable need not provide for
14 payment of interest on deferred payments. A sales
15 finance company may purchase a customer receivable
16 from, or make a loan secured by a customer
17 receivable to, the seller in the original
18 transaction or to a person who purchased the
19 customer receivable directly or indirectly from
20 that seller.

21 (ii) A corporation meeting each of the
22 following criteria:

23 (a) the corporation must be a member of an
24 "affiliated group" within the meaning of
25 Section 1504(a) of the Internal Revenue Code,
26 determined without regard to Section 1504(b)

1 of the Internal Revenue Code;

2 (b) more than 50% of the gross income of
3 the corporation for the taxable year must be
4 interest income derived from qualifying loans.
5 A "qualifying loan" is a loan made to a member
6 of the corporation's affiliated group that
7 originates customer receivables (within the
8 meaning of item (i)) or to whom customer
9 receivables originated by a member of the
10 affiliated group have been transferred, to the
11 extent the average outstanding balance of
12 loans from that corporation to members of its
13 affiliated group during the taxable year do
14 not exceed the limitation amount for that
15 corporation. The "limitation amount" for a
16 corporation is the average outstanding
17 balances during the taxable year of customer
18 receivables (within the meaning of item (i))
19 originated by all members of the affiliated
20 group. If the average outstanding balances of
21 the loans made by a corporation to members of
22 its affiliated group exceed the limitation
23 amount, the interest income of that
24 corporation from qualifying loans shall be
25 equal to its interest income from loans to
26 members of its affiliated groups times a

1 fraction equal to the limitation amount
2 divided by the average outstanding balances of
3 the loans made by that corporation to members
4 of its affiliated group;

5 (c) the total of all shareholder's equity
6 (including, without limitation, paid-in
7 capital on common and preferred stock and
8 retained earnings) of the corporation plus the
9 total of all of its loans, advances, and other
10 obligations payable or owed to members of its
11 affiliated group may not exceed 20% of the
12 total assets of the corporation at any time
13 during the tax year; and

14 (d) more than 50% of all interest-bearing
15 obligations of the affiliated group payable to
16 persons outside the group determined in
17 accordance with generally accepted accounting
18 principles must be obligations of the
19 corporation.

20 This amendatory Act of the 91st General Assembly
21 is declaratory of existing law.

22 (D) Subparagraphs (B) and (C) of this paragraph
23 are declaratory of existing law and apply
24 retroactively, for all tax years beginning on or
25 before December 31, 1996, to all original returns, to
26 all amended returns filed no later than 30 days after

1 the effective date of this amendatory Act of 1996, and
2 to all notices issued on or before the effective date
3 of this amendatory Act of 1996 under subsection (a) of
4 Section 903, subsection (a) of Section 904, subsection
5 (e) of Section 909, or Section 912. A taxpayer that is
6 a "financial organization" that engages in any
7 transaction with an affiliate shall be a "financial
8 organization" for all purposes of this Act.

9 (E) For all tax years beginning on or before
10 December 31, 1996, a taxpayer that falls within the
11 definition of a "financial organization" under
12 subparagraphs (B) or (C) of this paragraph, but who
13 does not fall within the definition of a "financial
14 organization" under the Proposed Regulations issued by
15 the Department of Revenue on July 19, 1996, may
16 irrevocably elect to apply the Proposed Regulations
17 for all of those years as though the Proposed
18 Regulations had been lawfully promulgated, adopted,
19 and in effect for all of those years. For purposes of
20 applying subparagraphs (B) or (C) of this paragraph to
21 all of those years, the election allowed by this
22 subparagraph applies only to the taxpayer making the
23 election and to those members of the taxpayer's
24 unitary business group who are ordinarily required to
25 apportion business income under the same subsection of
26 Section 304 of this Act as the taxpayer making the

1 election. No election allowed by this subparagraph
2 shall be made under a claim filed under subsection (d)
3 of Section 909 more than 30 days after the effective
4 date of this amendatory Act of 1996.

5 (F) Finance Leases. For purposes of this
6 subsection, a finance lease shall be treated as a loan
7 or other extension of credit, rather than as a lease,
8 regardless of how the transaction is characterized for
9 any other purpose, including the purposes of any
10 regulatory agency to which the lessor is subject. A
11 finance lease is any transaction in the form of a lease
12 in which the lessee is treated as the owner of the
13 leased asset entitled to any deduction for
14 depreciation allowed under Section 167 of the Internal
15 Revenue Code.

16 (9) Fiscal year. The term "fiscal year" means an
17 accounting period of 12 months ending on the last day of
18 any month other than December.

19 (9.5) Fixed place of business. The term "fixed place
20 of business" has the same meaning as that term is given in
21 Section 864 of the Internal Revenue Code and the related
22 Treasury regulations.

23 (10) Includes and including. The terms "includes" and
24 "including" when used in a definition contained in this
25 Act shall not be deemed to exclude other things otherwise
26 within the meaning of the term defined.

1 (11) Internal Revenue Code. The term "Internal Revenue
2 Code" means the United States Internal Revenue Code of
3 1954 or any successor law or laws relating to federal
4 income taxes in effect for the taxable year.

5 (11.5) Investment partnership.

6 (A) The term "investment partnership" means any
7 entity that is treated as a partnership for federal
8 income tax purposes that meets the following
9 requirements:

10 (i) no less than 90% of the partnership's cost
11 of its total assets consists of qualifying
12 investment securities, deposits at banks or other
13 financial institutions, and office space and
14 equipment reasonably necessary to carry on its
15 activities as an investment partnership;

16 (ii) no less than 90% of its gross income
17 consists of interest, dividends, and gains from
18 the sale or exchange of qualifying investment
19 securities; and

20 (iii) the partnership is not a dealer in
21 qualifying investment securities.

22 (B) For purposes of this paragraph (11.5), the
23 term "qualifying investment securities" includes all
24 of the following:

25 (i) common stock, including preferred or debt
26 securities convertible into common stock, and

1 preferred stock;

2 (ii) bonds, debentures, and other debt
3 securities;

4 (iii) foreign and domestic currency deposits
5 secured by federal, state, or local governmental
6 agencies;

7 (iv) mortgage or asset-backed securities
8 secured by federal, state, or local governmental
9 agencies;

10 (v) repurchase agreements and loan
11 participations;

12 (vi) foreign currency exchange contracts and
13 forward and futures contracts on foreign
14 currencies;

15 (vii) stock and bond index securities and
16 futures contracts and other similar financial
17 securities and futures contracts on those
18 securities;

19 (viii) options for the purchase or sale of any
20 of the securities, currencies, contracts, or
21 financial instruments described in items (i) to
22 (vii), inclusive;

23 (ix) regulated futures contracts;

24 (x) commodities (not described in Section
25 1221(a)(1) of the Internal Revenue Code) or
26 futures, forwards, and options with respect to

1 such commodities, provided, however, that any item
2 of a physical commodity to which title is actually
3 acquired in the partnership's capacity as a dealer
4 in such commodity shall not be a qualifying
5 investment security;

6 (xi) derivatives; and

7 (xii) a partnership interest in another
8 partnership that is an investment partnership.

9 (12) Mathematical error. The term "mathematical error"
10 includes the following types of errors, omissions, or
11 defects in a return filed by a taxpayer which prevents
12 acceptance of the return as filed for processing:

13 (A) arithmetic errors or incorrect computations on
14 the return or supporting schedules;

15 (B) entries on the wrong lines;

16 (C) omission of required supporting forms or
17 schedules or the omission of the information in whole
18 or in part called for thereon; and

19 (D) an attempt to claim, exclude, deduct, or
20 improperly report, in a manner directly contrary to
21 the provisions of the Act and regulations thereunder
22 any item of income, exemption, deduction, or credit.

23 (13) Nonbusiness income. The term "nonbusiness income"
24 means all income other than business income or
25 compensation.

26 (14) Nonresident. The term "nonresident" means a

1 person who is not a resident.

2 (15) Paid, incurred and accrued. The terms "paid",
3 "incurred" and "accrued" shall be construed according to
4 the method of accounting upon the basis of which the
5 person's base income is computed under this Act.

6 (16) Partnership and partner. The term "partnership"
7 includes a syndicate, group, pool, joint venture or other
8 unincorporated organization, through or by means of which
9 any business, financial operation, or venture is carried
10 on, and which is not, within the meaning of this Act, a
11 trust or estate or a corporation; and the term "partner"
12 includes a member in such syndicate, group, pool, joint
13 venture or organization.

14 The term "partnership" includes any entity, including
15 a limited liability company formed under the Illinois
16 Limited Liability Company Act, classified as a partnership
17 for federal income tax purposes.

18 The term "partnership" does not include a syndicate,
19 group, pool, joint venture, or other unincorporated
20 organization established for the sole purpose of playing
21 the Illinois State Lottery.

22 (17) Part-year resident. The term "part-year resident"
23 means an individual who became a resident during the
24 taxable year or ceased to be a resident during the taxable
25 year. Under Section 1501(a)(20)(A)(i) residence commences
26 with presence in this State for other than a temporary or

1 transitory purpose and ceases with absence from this State
2 for other than a temporary or transitory purpose. Under
3 Section 1501(a)(20)(A)(ii) residence commences with the
4 establishment of domicile in this State and ceases with
5 the establishment of domicile in another State.

6 (17.5) Pass-through owner. The term "pass-through
7 owner" means any person that is a partner (other than a
8 retired partner) in a partnership or shareholder in a
9 Subchapter S corporation, except for a partner or
10 shareholder that is exempt from tax under Section 501(a)
11 of the Internal Revenue Code or under Section 205 of this
12 Act.

13 (18) Person. The term "person" shall be construed to
14 mean and include an individual, a trust, estate,
15 partnership, association, firm, company, corporation,
16 limited liability company, or fiduciary. For purposes of
17 Section 1301 and 1302 of this Act, a "person" means (i) an
18 individual, (ii) a corporation, (iii) an officer, agent,
19 or employee of a corporation, (iv) a member, agent or
20 employee of a partnership, or (v) a member, manager,
21 employee, officer, director, or agent of a limited
22 liability company who in such capacity commits an offense
23 specified in Section 1301 and 1302.

24 (18A) Records. The term "records" includes all data
25 maintained by the taxpayer, whether on paper, microfilm,
26 microfiche, or any type of machine-sensible data

1 compilation.

2 (19) Regulations. The term "regulations" includes
3 rules promulgated and forms prescribed by the Department.

4 (20) Resident. The term "resident" means:

5 (A) an individual (i) who is in this State for
6 other than a temporary or transitory purpose during
7 the taxable year; or (ii) who is domiciled in this
8 State but is absent from the State for a temporary or
9 transitory purpose during the taxable year;

10 (B) The estate of a decedent who at his or her
11 death was domiciled in this State;

12 (C) A trust created by a will of a decedent who at
13 his death was domiciled in this State; and

14 (D) An irrevocable trust, the grantor of which was
15 domiciled in this State at the time such trust became
16 irrevocable. For purpose of this subparagraph, a trust
17 shall be considered irrevocable to the extent that the
18 grantor is not treated as the owner thereof under
19 Sections 671 through 678 of the Internal Revenue Code.

20 (21) Sales. The term "sales" means all gross receipts
21 of the taxpayer not allocated under Sections 301, 302 and
22 303.

23 (22) State. The term "state" when applied to a
24 jurisdiction other than this State means any state of the
25 United States, the District of Columbia, the Commonwealth
26 of Puerto Rico, any Territory or Possession of the United

1 States, and any foreign country, or any political
2 subdivision of any of the foregoing. For purposes of the
3 foreign tax credit under Section 601, the term "state"
4 means any state of the United States, the District of
5 Columbia, the Commonwealth of Puerto Rico, and any
6 territory or possession of the United States, or any
7 political subdivision of any of the foregoing, effective
8 for tax years ending on or after December 31, 1989.

9 (23) Taxable year. The term "taxable year" means the
10 calendar year, or the fiscal year ending during such
11 calendar year, upon the basis of which the base income is
12 computed under this Act. "Taxable year" means, in the case
13 of a return made for a fractional part of a year under the
14 provisions of this Act, the period for which such return
15 is made.

16 (24) Taxpayer. The term "taxpayer" means any person
17 subject to the tax imposed by this Act.

18 (25) International banking facility. The term
19 international banking facility shall have the same meaning
20 as is set forth in the Illinois Banking Act or as is set
21 forth in the laws of the United States or regulations of
22 the Board of Governors of the Federal Reserve System.

23 (26) Income Tax Return Preparer.

24 (A) The term "income tax return preparer" means
25 any person who prepares for compensation, or who
26 employs one or more persons to prepare for

1 compensation, any return of tax imposed by this Act or
2 any claim for refund of tax imposed by this Act. The
3 preparation of a substantial portion of a return or
4 claim for refund shall be treated as the preparation
5 of that return or claim for refund.

6 (B) A person is not an income tax return preparer
7 if all he or she does is

8 (i) furnish typing, reproducing, or other
9 mechanical assistance;

10 (ii) prepare returns or claims for refunds for
11 the employer by whom he or she is regularly and
12 continuously employed;

13 (iii) prepare as a fiduciary returns or claims
14 for refunds for any person; or

15 (iv) prepare claims for refunds for a taxpayer
16 in response to any notice of deficiency issued to
17 that taxpayer or in response to any waiver of
18 restriction after the commencement of an audit of
19 that taxpayer or of another taxpayer if a
20 determination in the audit of the other taxpayer
21 directly or indirectly affects the tax liability
22 of the taxpayer whose claims he or she is
23 preparing.

24 (27) Unitary business group.

25 (A) The term "unitary business group" means a
26 group of persons related through common ownership

1 whose business activities are integrated with,
2 dependent upon and contribute to each other. The group
3 will not include those members whose business activity
4 outside the United States is 80% or more of any such
5 member's total business activity; for purposes of this
6 paragraph and clause (a)(3)(B)(ii) of Section 304,
7 business activity within the United States shall be
8 measured by means of the factors ordinarily applicable
9 under subsections (a), (b), (c), (d), or (h) of
10 Section 304 except that, in the case of members
11 ordinarily required to apportion business income by
12 means of the 3 factor formula of property, payroll and
13 sales specified in subsection (a) of Section 304,
14 including the formula as weighted in subsection (h) of
15 Section 304, such members shall not use the sales
16 factor in the computation and the results of the
17 property and payroll factor computations of subsection
18 (a) of Section 304 shall be divided by 2 (by one if
19 either the property or payroll factor has a
20 denominator of zero). The computation required by the
21 preceding sentence shall, in each case, involve the
22 division of the member's property, payroll, or revenue
23 miles in the United States, insurance premiums on
24 property or risk in the United States, or financial
25 organization business income from sources within the
26 United States, as the case may be, by the respective

1 worldwide figures for such items. Common ownership in
2 the case of corporations is the direct or indirect
3 control or ownership of more than 50% of the
4 outstanding voting stock of the persons carrying on
5 unitary business activity. Unitary business activity
6 can ordinarily be illustrated where the activities of
7 the members are: (1) in the same general line (such as
8 manufacturing, wholesaling, retailing of tangible
9 personal property, insurance, transportation or
10 finance); or (2) are steps in a vertically structured
11 enterprise or process (such as the steps involved in
12 the production of natural resources, which might
13 include exploration, mining, refining, and marketing);
14 and, in either instance, the members are functionally
15 integrated through the exercise of strong centralized
16 management (where, for example, authority over such
17 matters as purchasing, financing, tax compliance,
18 product line, personnel, marketing and capital
19 investment is not left to each member).

20 (B) In no event, for taxable years ending prior to
21 December 31, 2017, shall any unitary business group
22 include members which are ordinarily required to
23 apportion business income under different subsections
24 of Section 304 except that for tax years ending on or
25 after December 31, 1987 this prohibition shall not
26 apply to a holding company that would otherwise be a

1 member of a unitary business group with taxpayers that
2 apportion business income under any of subsections
3 (b), (c), (c-1), or (d) of Section 304. If a unitary
4 business group would, but for the preceding sentence,
5 include members that are ordinarily required to
6 apportion business income under different subsections
7 of Section 304, then for each subsection of Section
8 304 for which there are two or more members, there
9 shall be a separate unitary business group composed of
10 such members. For purposes of the preceding two
11 sentences, a member is "ordinarily required to
12 apportion business income" under a particular
13 subsection of Section 304 if it would be required to
14 use the apportionment method prescribed by such
15 subsection except for the fact that it derives
16 business income solely from Illinois. As used in this
17 paragraph, for taxable years ending before December
18 31, 2017, the phrase "United States" means only the 50
19 states and the District of Columbia, but does not
20 include any territory or possession of the United
21 States or any area over which the United States has
22 asserted jurisdiction or claimed exclusive rights with
23 respect to the exploration for or exploitation of
24 natural resources. For taxable years ending on or
25 after December 31, 2017, the phrase "United States",
26 as used in this paragraph, means only the 50 states,

1 the District of Columbia, and any area over which the
2 United States has asserted jurisdiction or claimed
3 exclusive rights with respect to the exploration for
4 or exploitation of natural resources, but does not
5 include any territory or possession of the United
6 States.

7 (C) Holding companies.

8 (i) For purposes of this subparagraph, a
9 "holding company" is a corporation (other than a
10 corporation that is a financial organization under
11 paragraph (8) of this subsection (a) of Section
12 1501 because it is a bank holding company under
13 the provisions of the Bank Holding Company Act of
14 1956 (12 U.S.C. 1841, et seq.) or because it is
15 owned by a bank or a bank holding company) that
16 owns a controlling interest in one or more other
17 taxpayers ("controlled taxpayers"); that, during
18 the period that includes the taxable year and the
19 2 immediately preceding taxable years or, if the
20 corporation was formed during the current or
21 immediately preceding taxable year, the taxable
22 years in which the corporation has been in
23 existence, derived substantially all its gross
24 income from dividends, interest, rents, royalties,
25 fees or other charges received from controlled
26 taxpayers for the provision of services, and gains

1 on the sale or other disposition of interests in
2 controlled taxpayers or in property leased or
3 licensed to controlled taxpayers or used by the
4 taxpayer in providing services to controlled
5 taxpayers; and that incurs no substantial expenses
6 other than expenses (including interest and other
7 costs of borrowing) incurred in connection with
8 the acquisition and holding of interests in
9 controlled taxpayers and in the provision of
10 services to controlled taxpayers or in the leasing
11 or licensing of property to controlled taxpayers.

12 (ii) The income of a holding company which is
13 a member of more than one unitary business group
14 shall be included in each unitary business group
15 of which it is a member on a pro rata basis, by
16 including in each unitary business group that
17 portion of the base income of the holding company
18 that bears the same proportion to the total base
19 income of the holding company as the gross
20 receipts of the unitary business group bears to
21 the combined gross receipts of all unitary
22 business groups (in both cases without regard to
23 the holding company) or on any other reasonable
24 basis, consistently applied.

25 (iii) A holding company shall apportion its
26 business income under the subsection of Section

1 304 used by the other members of its unitary
2 business group. The apportionment factors of a
3 holding company which would be a member of more
4 than one unitary business group shall be included
5 with the apportionment factors of each unitary
6 business group of which it is a member on a pro
7 rata basis using the same method used in clause
8 (ii).

9 (iv) The provisions of this subparagraph (C)
10 are intended to clarify existing law.

11 (D) If including the base income and factors of a
12 holding company in more than one unitary business
13 group under subparagraph (C) does not fairly reflect
14 the degree of integration between the holding company
15 and one or more of the unitary business groups, the
16 dependence of the holding company and one or more of
17 the unitary business groups upon each other, or the
18 contributions between the holding company and one or
19 more of the unitary business groups, the holding
20 company may petition the Director, under the
21 procedures provided under Section 304(f), for
22 permission to include all base income and factors of
23 the holding company only with members of a unitary
24 business group apportioning their business income
25 under one subsection of subsections (a), (b), (c), or
26 (d) of Section 304. If the petition is granted, the

1 holding company shall be included in a unitary
2 business group only with persons apportioning their
3 business income under the selected subsection of
4 Section 304 until the Director grants a petition of
5 the holding company either to be included in more than
6 one unitary business group under subparagraph (C) or
7 to include its base income and factors only with
8 members of a unitary business group apportioning their
9 business income under a different subsection of
10 Section 304.

11 (E) If the unitary business group members'
12 accounting periods differ, the common parent's
13 accounting period or, if there is no common parent,
14 the accounting period of the member that is expected
15 to have, on a recurring basis, the greatest Illinois
16 income tax liability must be used to determine whether
17 to use the apportionment method provided in subsection
18 (a) or subsection (h) of Section 304. The prohibition
19 against membership in a unitary business group for
20 taxpayers ordinarily required to apportion income
21 under different subsections of Section 304 does not
22 apply to taxpayers required to apportion income under
23 subsection (a) and subsection (h) of Section 304. The
24 provisions of this amendatory Act of 1998 apply to tax
25 years ending on or after December 31, 1998.

26 (28) Subchapter S corporation. The term "Subchapter S

1 corporation" means a corporation for which there is in
2 effect an election under Section 1362 of the Internal
3 Revenue Code, or for which there is a federal election to
4 opt out of the provisions of the Subchapter S Revision Act
5 of 1982 and have applied instead the prior federal
6 Subchapter S rules as in effect on July 1, 1982.

7 (30) Foreign person. The term "foreign person" means
8 any person who is a nonresident alien individual and any
9 nonindividual entity, regardless of where created or
10 organized, whose business activity outside the United
11 States is 80% or more of the entity's total business
12 activity.

13 (b) Other definitions.

14 (1) Words denoting number, gender, and so forth, when
15 used in this Act, where not otherwise distinctly expressed
16 or manifestly incompatible with the intent thereof:

17 (A) Words importing the singular include and apply
18 to several persons, parties or things;

19 (B) Words importing the plural include the
20 singular; and

21 (C) Words importing the masculine gender include
22 the feminine as well.

23 (2) "Company" or "association" as including successors
24 and assigns. The word "company" or "association", when
25 used in reference to a corporation, shall be deemed to

1 embrace the words "successors and assigns of such company
2 or association", and in like manner as if these last-named
3 words, or words of similar import, were expressed.

4 (3) Other terms. Any term used in any Section of this
5 Act with respect to the application of, or in connection
6 with, the provisions of any other Section of this Act
7 shall have the same meaning as in such other Section.

8 (Source: P.A. 99-213, eff. 7-31-15; 100-22, eff. 7-6-17.)

9 Section 99. Effective date. This Act takes effect upon
10 becoming law."