

# SB3816



## 102ND GENERAL ASSEMBLY

### State of Illinois

2021 and 2022

SB3816

Introduced 1/21/2022, by Sen. Scott M. Bennett

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Provides that, when calculating the taxpayer's base income, the taxpayer's federal adjusted gross income shall be modified to exclude the portion of the income or loss received from a trade or business conducted within and without Illinois or from a pass-through entity conducting business within and without Illinois that is not derived from or connected with Illinois sources. Effective immediately.

LRB102 23897 HLH 33095 b

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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



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

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

4 (G) The valuation limitation amount;

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

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

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

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

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

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

9           (M) With the exception of any amounts subtracted  
10          under subparagraph (N), an amount equal to the sum of  
11          all amounts disallowed as deductions by (i) Sections  
12          171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
13          and all amounts of expenses allocable to interest and  
14          disallowed as deductions by Section 265(a)(1) of the  
15          Internal Revenue Code; and (ii) for taxable years  
16          ending on or after August 13, 1999, Sections  
17          171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
18          Internal Revenue Code, plus, for taxable years ending  
19          on or after December 31, 2011, Section 45G(e)(3) of  
20          the Internal Revenue Code and, for taxable years  
21          ending on or after December 31, 2008, any amount  
22          included in gross income under Section 87 of the  
23          Internal Revenue Code; the provisions of this  
24          subparagraph are exempt from the provisions of Section  
25          250;

26          (N) An amount equal to all amounts included in

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

9 (O) An amount equal to any contribution made to a  
10 job training project established pursuant to the Tax  
11 Increment Allocation Redevelopment Act;

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

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

26 (R) An amount equal to the amount of any federal or

1 State bonus paid to veterans of the Persian Gulf War;

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

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

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

23 (V) Beginning with tax years ending on or after  
24 December 31, 1995 and ending with tax years ending on  
25 or before December 31, 2004, an amount equal to the  
26 amount paid by a taxpayer who is a self-employed

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

24 (W) For taxable years beginning on or after  
25 January 1, 1998, all amounts included in the  
26 taxpayer's federal gross income in the taxable year

1 from amounts converted from a regular IRA to a Roth  
2 IRA. This paragraph is exempt from the provisions of  
3 Section 250;

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

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

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



1 of this subparagraph, contributions made by an  
2 employer on behalf of an employee, or matching  
3 contributions made by an employee, shall be treated as  
4 made by the employee. This subparagraph (Y) is exempt  
5 from the provisions of Section 250;

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

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

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

23 (3) for taxable years ending after December  
24 31, 2005:

25 (i) for property on which a bonus  
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by  
2 30 and then divided by 70 (or "y" multiplied  
3 by 0.429);

4 (ii) for property on which a bonus  
5 depreciation deduction of 50% of the adjusted  
6 basis was taken, "x" equals "y" multiplied by  
7 1.0;

8 (iii) for property on which a bonus  
9 depreciation deduction of 100% of the adjusted  
10 basis was taken in a taxable year ending on or  
11 after December 31, 2021, "x" equals the  
12 depreciation deduction that would be allowed  
13 on that property if the taxpayer had made the  
14 election under Section 168(k)(7) of the  
15 Internal Revenue Code to not claim bonus  
16 depreciation ~~depreciation~~ on that property; and

17 (iv) for property on which a bonus  
18 depreciation deduction of a percentage other  
19 than 30%, 50% or 100% of the adjusted basis  
20 was taken in a taxable year ending on or after  
21 December 31, 2021, "x" equals "y" multiplied  
22 by 100 times the percentage bonus depreciation  
23 on the property (that is,  $100(\text{bonus}\%)$ ) and  
24 then divided by 100 times 1 minus the  
25 percentage bonus depreciation on the property  
26 (that is,  $100(1-\text{bonus}\%)$ ).

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 (Z) is exempt from the provisions of  
8           Section 250;

9           (AA) If the taxpayer sells, transfers, abandons,  
10          or otherwise disposes of property for which the  
11          taxpayer was required in any taxable year to make an  
12          addition modification under subparagraph (D-15), then  
13          an amount 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 a  
16          subtraction is allowed with respect to that property  
17          under subparagraph (Z) and for which the taxpayer was  
18          required in any taxable year to make an addition  
19          modification under subparagraph (D-15), 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 (AA) is exempt from the  
25          provisions of Section 250;

26          (BB) Any amount included in adjusted gross income,

1 other than salary, received by a driver in a  
2 ridesharing arrangement using a motor vehicle;

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

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

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

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

1 included in the unitary business group because he or  
2 she is ordinarily required to apportion business  
3 income under different subsections of Section 304, but  
4 not to exceed the addition modification required to be  
5 made for the same taxable year under Section  
6 203(a)(2)(D-18) for intangible expenses and costs  
7 paid, accrued, or incurred, directly or indirectly, to  
8 the same foreign person. This subparagraph (EE) is  
9 exempt from the provisions of Section 250;

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

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

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

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

18 (b) Corporations.

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

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

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

1 to the taxpayer as interest and all distributions  
2 received from regulated investment companies during  
3 the taxable year to the extent excluded from gross  
4 income in the computation of taxable income;

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

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

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

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



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

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

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

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

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

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

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

18           If the taxpayer continues to own property through  
19 the last day of the last tax year for which a  
20 subtraction is allowed with respect to that property  
21 under subparagraph (T) and for which the taxpayer was  
22 allowed in any taxable year to make a subtraction  
23 modification under subparagraph (T), then an amount  
24 equal to that subtraction modification.

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

1 respect to any one piece of property;

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

22                 (E-13) An amount equal to the amount of intangible  
23          expenses and costs otherwise allowed as a deduction in  
24          computing base income, and that were paid, accrued, or  
25          incurred, directly or indirectly, (i) for taxable  
26          years ending on or after December 31, 2004, to a

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

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

15                 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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



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

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

1 accrued. The preceding sentence does not apply to the  
2 extent that the same dividends caused a reduction to  
3 the addition modification required under Section  
4 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
5 Act;

6 (E-15) For taxable years beginning after December  
7 31, 2008, any deduction for dividends paid by a  
8 captive real estate investment trust that is allowed  
9 to a real estate investment trust under Section  
10 857(b)(2)(B) of the Internal Revenue Code for  
11 dividends paid;

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

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

20 (E-18) for taxable years beginning after December  
21 31, 2018, an amount equal to the deduction allowed  
22 under Section 250(a)(1)(A) of the Internal Revenue  
23 Code for the taxable year;

24 (E-19) for taxable years ending on or after June  
25 30, 2021, an amount equal to the deduction allowed  
26 under Section 250(a)(1)(B)(i) of the Internal Revenue

1 Code for the taxable year;

2 (E-20) for taxable years ending on or after June  
3 30, 2021, an amount equal to the deduction allowed  
4 under Sections 243(e) and 245A(a) of the Internal  
5 Revenue Code for the taxable year.

6 and by deducting from the total so obtained the sum of the  
7 following amounts:

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

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

18 (I) With the exception of any amounts subtracted  
19 under subparagraph (J), an amount equal to the sum of  
20 all amounts disallowed as deductions by (i) Sections  
21 171(a)(2) and 265(a)(2) and amounts disallowed as  
22 interest expense by Section 291(a)(3) of the Internal  
23 Revenue Code, and all amounts of expenses allocable to  
24 interest and disallowed as deductions by Section  
25 265(a)(1) of the Internal Revenue Code; and (ii) for  
26 taxable years ending on or after August 13, 1999,

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

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

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

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

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

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

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

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

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

26 (O) An amount equal to: (i) 85% for taxable years

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



1 would but for the provisions of Section 1504(b)(3) of  
2 the Internal Revenue Code be treated as a member of the  
3 affiliated group which includes the dividend  
4 recipient, exceed the amount of the modification  
5 provided under subparagraph (G) of paragraph (2) of  
6 this subsection (b) which is related to such  
7 dividends. For taxable years ending on or after June  
8 30, 2021, (i) for purposes of this subparagraph, the  
9 term "dividend" does not include any amount treated as  
10 a dividend under Section 1248 of the Internal Revenue  
11 Code, and (ii) this subparagraph shall not apply to  
12 dividends for which a deduction is allowed under  
13 Section 245(a) of the Internal Revenue Code. This  
14 subparagraph (O) is exempt from the provisions of  
15 Section 250 of this Act;

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

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

24 (R) On and after July 20, 1999, in the case of an  
25 attorney-in-fact with respect to whom an interinsurer  
26 or a reciprocal insurer has made the election under

1 Section 835 of the Internal Revenue Code, 26 U.S.C.  
2 835, an amount equal to the excess, if any, of the  
3 amounts paid or incurred by that interinsurer or  
4 reciprocal insurer in the taxable year to the  
5 attorney-in-fact over the deduction allowed to that  
6 interinsurer or reciprocal insurer with respect to the  
7 attorney-in-fact under Section 835(b) of the Internal  
8 Revenue Code for the taxable year; the provisions of  
9 this subparagraph are exempt from the provisions of  
10 Section 250;

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

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

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

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

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

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

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

23           (iii) for property on which a bonus  
24 depreciation deduction of 100% of the adjusted  
25 basis was taken in a taxable year ending on or  
26 after December 31, 2021, "x" equals the

1 depreciation deduction that would be allowed  
2 on that property if the taxpayer had made the  
3 election under Section 168(k)(7) of the  
4 Internal Revenue Code to not claim bonus  
5 depreciation ~~depreciation~~ on that property; and

6 (iv) for property on which a bonus  
7 depreciation deduction of a percentage other  
8 than 30%, 50% or 100% of the adjusted basis  
9 was taken in a taxable year ending on or after  
10 December 31, 2021, "x" equals "y" multiplied  
11 by 100 times the percentage bonus depreciation  
12 on the property (that is,  $100(\text{bonus}\%)$ ) and  
13 then divided by 100 times 1 minus the  
14 percentage bonus depreciation on the property  
15 (that is,  $100(1-\text{bonus}\%)$ ).

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

24 (U) 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 (E-10), then an amount  
2 equal to that addition modification.

3 If the taxpayer continues to own property through  
4 the last day of the last tax year for which a  
5 subtraction is allowed with respect to that property  
6 under subparagraph (T) and for which the taxpayer was  
7 required in any taxable year to make an addition  
8 modification under subparagraph (E-10), then an amount  
9 equal to that addition modification.

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

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

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

14           (W) An amount equal to the interest income taken  
15          into account for the taxable year (net of the  
16          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-12) for interest paid, accrued, or  
6 incurred, directly or indirectly, to the same person.  
7 This subparagraph (W) is exempt from the provisions of  
8 Section 250;

9 (X) An amount equal to the income from intangible  
10 property taken into account for the taxable year (net  
11 of the deductions allocable thereto) with respect to  
12 transactions with (i) a foreign person who would be a  
13 member of the taxpayer's unitary business group but  
14 for the fact that the foreign person's business  
15 activity outside the United States is 80% or more of  
16 that person's total business activity and (ii) for  
17 taxable years ending on or after December 31, 2008, 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, but  
24 not to exceed the addition modification required to be  
25 made for the same taxable year under Section  
26 203(b)(2)(E-13) for intangible expenses and costs

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

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

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



1 provisions of Section 250.

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

10 (c) Trusts and estates.

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

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

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

22 (B) In the case of (i) an estate, \$600; (ii) a  
23 trust which, under its governing instrument, is  
24 required to distribute all of its income currently,  
25 \$300; and (iii) any other trust, \$100, but in each such

1 case, only to the extent such amount was deducted in  
2 the computation of taxable income;

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

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

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

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

1           which was taken into account in calculating the  
2           base income of an earlier taxable year, and

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

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

15                  (F) For taxable years ending on or after January  
16          1, 1989, an amount equal to the tax deducted pursuant  
17          to Section 164 of the Internal Revenue Code if the  
18          trust or estate is claiming the same tax for purposes  
19          of the Illinois foreign tax credit under Section 601  
20          of this Act;

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

25                  (G-5) For taxable years ending after December 31,  
26          1997, an amount equal to any eligible remediation

1 costs that the trust or estate deducted in computing  
2 adjusted gross income and for which the trust or  
3 estate claims a credit under subsection (l) of Section  
4 201;

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

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

17 If the taxpayer continues to own property through  
18 the last day of the last tax year for which a  
19 subtraction is allowed with respect to that property  
20 under subparagraph (R) and for which the taxpayer was  
21 allowed in any taxable year to make a subtraction  
22 modification under subparagraph (R), then an amount  
23 equal to that subtraction modification.

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

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

1 accrued, or incurred.

2 This paragraph shall not apply to the following:

3 (i) an item of interest paid, accrued, or  
4 incurred, directly or indirectly, to 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 interest; or

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

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

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

24 (iii) the taxpayer can establish, based on  
25 clear and convincing evidence, that the interest  
26 paid, accrued, or incurred relates to a contract

1 or agreement entered into at arm's-length rates  
2 and terms and the principal purpose for the  
3 payment is not federal or Illinois tax avoidance;  
4 or

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

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

21 (G-13) An amount equal to the amount of intangible  
22 expenses and costs otherwise allowed as a deduction in  
23 computing base income, and that were paid, accrued, or  
24 incurred, directly or indirectly, (i) for taxable  
25 years ending on or after December 31, 2004, to a  
26 foreign person who would be a member of the same

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



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

14 This paragraph shall not apply to the following:

15 (i) any item of intangible expenses or costs  
16 paid, accrued, or incurred, directly or  
17 indirectly, from a transaction with a person who  
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 item; or

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

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

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

12 (iii) any item of intangible expense or cost  
13 paid, accrued, or incurred, directly or  
14 indirectly, from a transaction with a person if  
15 the taxpayer establishes by clear and convincing  
16 evidence, that the adjustments are unreasonable;  
17 or if the taxpayer and the Director agree in  
18 writing to the application or use of an  
19 alternative method of apportionment under Section  
20 304(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 (G-14) For taxable years ending on or after  
5 December 31, 2008, an amount equal to the amount of  
6 insurance premium expenses and costs otherwise allowed  
7 as a deduction in computing base income, and that were  
8 paid, accrued, or incurred, directly or indirectly, 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. The  
15 addition modification required by this subparagraph  
16 shall be reduced to the extent that dividends were  
17 included in base income of the unitary group for the  
18 same taxable year and received by the taxpayer or by a  
19 member of the taxpayer's unitary business group  
20 (including amounts included in gross income under  
21 Sections 951 through 964 of the Internal Revenue Code  
22 and amounts included in gross income under Section 78  
23 of the Internal Revenue Code) with respect to the  
24 stock of the same person to whom the premiums and costs  
25 were directly or indirectly paid, incurred, or  
26 accrued. The preceding sentence does not apply to the

1 extent that the same dividends caused a reduction to  
2 the addition modification required under Section  
3 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this  
4 Act;

5 (G-15) An amount equal to the credit allowable to  
6 the taxpayer under Section 218(a) of this Act,  
7 determined without regard to Section 218(c) of this  
8 Act;

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

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

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

26 (I) The valuation limitation amount;

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

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

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

1 taxable years ending on or after December 31, 2008,  
2 any amount included in gross income under Section 87  
3 of the Internal Revenue Code; the provisions of this  
4 subparagraph are exempt from the provisions of Section  
5 250;

6 (M) 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 (M) is exempt from  
13 the provisions of Section 250;

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

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

26 (P) An amount equal to the amount of the deduction

1 used to compute the federal income tax credit for  
2 restoration of substantial amounts held under claim of  
3 right for the taxable year pursuant to Section 1341 of  
4 the Internal Revenue Code;

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

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

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

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

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



1 and then divided by 70 (or "y" multiplied by  
2 0.429); and

3 (3) for taxable years ending after December  
4 31, 2005:

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

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

14 (iii) for property on which a bonus  
15 depreciation deduction of 100% of the adjusted  
16 basis was taken in a taxable year ending on or  
17 after December 31, 2021, "x" equals the  
18 depreciation deduction that would be allowed  
19 on that property if the taxpayer had made the  
20 election under Section 168(k)(7) of the  
21 Internal Revenue Code to not claim bonus  
22 depreciation ~~depreciation~~ on that property; and

23 (iv) for property on which a bonus  
24 depreciation deduction of a percentage other  
25 than 30%, 50% or 100% of the adjusted basis  
26 was taken in a taxable year ending on or after

1 December 31, 2021, "x" equals "y" multiplied  
2 by 100 times the percentage bonus depreciation  
3 on the property (that is,  $100(\text{bonus}\%)$ ) and  
4 then divided by 100 times 1 minus the  
5 percentage bonus depreciation on the property  
6 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

20 If the taxpayer continues to own property through  
21 the last day of the last tax year for which a  
22 subtraction is allowed with respect to that property  
23 under subparagraph (R) and for which the taxpayer was  
24 required in any taxable year to make an addition  
25 modification under subparagraph (G-10), then an amount  
26 equal to that addition modification.

1           The taxpayer is allowed to take the deduction  
2 under this subparagraph only once with respect to any  
3 one piece of property.

4           This subparagraph (S) is exempt from the  
5 provisions of Section 250;

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

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

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

17 (V) An amount equal to the income from intangible  
18 property taken into account for the taxable year (net  
19 of the 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 that the foreign person's business  
23 activity outside the United States is 80% or more of  
24 that person's total business activity and (ii) for  
25 taxable years ending on or after December 31, 2008, to  
26 a person who would be a member of the same unitary

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

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

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

24 (Y) For taxable years ending on or after December  
25 31, 2011, in the case of a taxpayer who was required to  
26 add back any insurance premiums under Section

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

14                 (Z) For taxable years beginning after December 31,  
15          2018 and before January 1, 2026, the amount of excess  
16          business loss of the taxpayer disallowed as a  
17          deduction by Section 461(1)(1)(B) of the Internal  
18          Revenue Code.

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

1 (d) Partnerships.

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

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

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

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

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

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

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

1 the Internal Revenue Code;

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

9 If the taxpayer continues to own property through  
10 the last day of the last tax year for which a  
11 subtraction is allowed with respect to that property  
12 under subparagraph (O) and for which the taxpayer was  
13 allowed in any taxable year to make a subtraction  
14 modification under subparagraph (O), then an amount  
15 equal to that subtraction modification.

16 The taxpayer is required to make the addition  
17 modification under this subparagraph only once with  
18 respect to any one piece of property;

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



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

20 This paragraph shall not apply to the following:

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

1           (ii) an item of interest paid, accrued, or  
2 incurred, directly or indirectly, to a person if  
3 the taxpayer can establish, based on a  
4 preponderance of the evidence, both of the  
5 following:

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

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

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

23           (iv) an item of interest paid, accrued, or  
24 incurred, directly or indirectly, to a person if  
25 the taxpayer establishes by clear and convincing  
26 evidence that the adjustments are unreasonable; or

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

4 Nothing in this subsection shall preclude the  
5 Director from making any other adjustment  
6 otherwise allowed under Section 404 of this Act  
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; and

13 (D-8) An amount equal to the amount of intangible  
14 expenses and costs otherwise allowed as a deduction in  
15 computing base income, and that were paid, accrued, or  
16 incurred, directly or indirectly, (i) for taxable  
17 years ending on or after December 31, 2004, to a  
18 foreign person who would be a member of the same  
19 unitary business group but for the fact that the  
20 foreign person's business activity outside the United  
21 States is 80% or more of that person's total business  
22 activity and (ii) for taxable years ending on or after  
23 December 31, 2008, to a person who would be a member of  
24 the same unitary business group but for the fact that  
25 the person is prohibited under Section 1501(a)(27)  
26 from being included in the unitary business group

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

1 similar expenses and costs. For purposes of this  
2 subparagraph, "intangible property" includes patents,  
3 patent applications, trade names, trademarks, service  
4 marks, copyrights, mask works, trade secrets, and  
5 similar types of intangible assets;

6 This paragraph shall not apply to the following:

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

14 (ii) any item of intangible expense or cost  
15 paid, accrued, or incurred, directly or  
16 indirectly, if the taxpayer can establish, based  
17 on a preponderance of the evidence, both of the  
18 following:

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

23 (b) the transaction giving rise to the  
24 intangible expense or cost between the  
25 taxpayer and the person did not have as a  
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract  
2 or agreement that reflects arm's-length terms;  
3 or

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

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

22 (D-9) For taxable years ending on or after  
23 December 31, 2008, an amount equal to the amount of  
24 insurance premium expenses and costs otherwise allowed  
25 as a deduction in computing base income, and that were  
26 paid, accrued, or incurred, directly or indirectly, to

1 a person who would be a member of the same unitary  
2 business group but for the fact that the person is  
3 prohibited under Section 1501(a)(27) from being  
4 included in the unitary business group because he or  
5 she is ordinarily required to apportion business  
6 income under different subsections of Section 304. The  
7 addition modification required by this subparagraph  
8 shall be reduced to the extent that dividends were  
9 included in base income of the unitary group for the  
10 same taxable year and received by the taxpayer or by a  
11 member of the taxpayer's unitary business group  
12 (including amounts included in gross income under  
13 Sections 951 through 964 of the Internal Revenue Code  
14 and amounts included in gross income under Section 78  
15 of the Internal Revenue Code) with respect to the  
16 stock of the same person to whom the premiums and costs  
17 were directly or indirectly paid, incurred, or  
18 accrued. The preceding sentence does not apply to the  
19 extent that the same dividends caused a reduction to  
20 the addition modification required under Section  
21 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

22 (D-10) An amount equal to the credit allowable to  
23 the taxpayer under Section 218(a) of this Act,  
24 determined without regard to Section 218(c) of this  
25 Act;

26 (D-11) For taxable years ending on or after

1 December 31, 2017, an amount equal to the deduction  
2 allowed under Section 199 of the Internal Revenue Code  
3 for the taxable year;  
4 and by deducting from the total so obtained the following  
5 amounts:

6 (E) The valuation limitation amount;

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

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

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



1 Section 250;

2 (I) An amount equal to all amounts of income  
3 distributable to an entity subject to the Personal  
4 Property Tax Replacement Income Tax imposed by  
5 subsections (c) and (d) of Section 201 of this Act  
6 including amounts distributable to organizations  
7 exempt from federal income tax by reason of Section  
8 501(a) of the Internal Revenue Code; this subparagraph  
9 (I) is exempt from the provisions of Section 250;

10 (J) With the exception of any amounts subtracted  
11 under subparagraph (G), an amount equal to the sum of  
12 all amounts disallowed as deductions by (i) Sections  
13 171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
14 and all amounts of expenses allocable to interest and  
15 disallowed as deductions by Section 265(a)(1) of the  
16 Internal Revenue Code; and (ii) for taxable years  
17 ending on or after August 13, 1999, Sections  
18 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
19 Internal Revenue Code, plus, (iii) for taxable years  
20 ending on or after December 31, 2011, Section  
21 45G(e)(3) of the Internal Revenue Code and, for  
22 taxable years ending on or after December 31, 2008,  
23 any amount included in gross income under Section 87  
24 of the Internal Revenue Code; the provisions of this  
25 subparagraph are exempt from the provisions of Section  
26 250;

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

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

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

21           (N) An amount equal to the amount of the deduction  
22 used to compute the federal income tax credit for  
23 restoration of substantial amounts held under claim of  
24 right for the taxable year pursuant to Section 1341 of  
25 the Internal Revenue Code;

26           (O) For taxable years 2001 and thereafter, for the

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

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

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

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

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

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

1 1.0;

2 (iii) for property on which a bonus  
3 depreciation deduction of 100% of the adjusted  
4 basis was taken in a taxable year ending on or  
5 after December 31, 2021, "x" equals the  
6 depreciation deduction that would be allowed  
7 on that property if the taxpayer had made the  
8 election under Section 168(k)(7) of the  
9 Internal Revenue Code to not claim bonus  
10 depreciation ~~depreciation~~ on that property; and

11 (iv) for property on which a bonus  
12 depreciation deduction of a percentage other  
13 than 30%, 50% or 100% of the adjusted basis  
14 was taken in a taxable year ending on or after  
15 December 31, 2021, "x" equals "y" multiplied  
16 by 100 times the percentage bonus depreciation  
17 on the property (that is,  $100(\text{bonus}\%)$ ) and  
18 then divided by 100 times 1 minus the  
19 percentage bonus depreciation on the property  
20 (that is,  $100(1-\text{bonus}\%)$ ).

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

3           (P) 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 (D-5), 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 a  
10          subtraction is allowed with respect to that property  
11          under subparagraph (O) and for which the taxpayer was  
12          required in any taxable year to make an addition  
13          modification under subparagraph (D-5), 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 (P) is exempt from the  
19          provisions of Section 250;

20          (Q) 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 and (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. This subparagraph (Q) is exempt  
10 from Section 250;

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

1 made for the same taxable year under Section  
2 203(d)(2)(D-7) for interest paid, accrued, or  
3 incurred, directly or indirectly, to the same person.  
4 This subparagraph (R) is exempt from Section 250;

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

1 federal Subchapter S rules as in effect on July 1,  
2 1982; and

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

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

1 (f) Valuation limitation amount.

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

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

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

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

20 (A) If the fair market value of property referred  
21 to in paragraph (1) was readily ascertainable on  
22 August 1, 1969, the pre-August 1, 1969 appreciation  
23 amount for such property is the lesser of (i) the  
24 excess of such fair market value over the taxpayer's  
25 basis (for determining gain) for such property on that

1 date (determined under the Internal Revenue Code as in  
2 effect on that date), or (ii) the total gain realized  
3 and reportable for federal income tax purposes in  
4 respect of the sale, exchange or other disposition of  
5 such property.

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

17 (C) The Department shall prescribe such  
18 regulations as may be necessary to carry out the  
19 purposes of this paragraph.

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

23 (g-5) For taxable years beginning on or after January 1,  
24 2023, in calculating the taxpayer's base income, the

1 taxpayer's federal adjusted gross income shall also be  
2 modified to exclude the portion of the income or loss received  
3 from a trade or business conducted within and without Illinois  
4 or from a pass-through entity conducting business within and  
5 without Illinois that is not derived from or connected with  
6 Illinois sources as determined in the provisions in Article 3  
7 of this Act. This subsection (q-5) is exempt from the  
8 provisions of Section 250.

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

18 (Source: P.A. 101-9, eff. 6-5-19; 101-81, eff. 7-12-19;  
19 102-16, eff. 6-17-21; 102-558, eff. 8-20-21; 102-658, eff.  
20 8-27-21; revised 10-14-21.)

21 Section 99. Effective date. This Act takes effect upon  
22 becoming law.