



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB4157

by Rep. Michael T. Marron

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201
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. In provisions concerning the pass-through entity tax, provides that, if a Schedule K-1-P is issued to a partner or shareholder by the partnership or corporation indicating that the tax has been paid by the partnership or corporation, the Department of Revenue shall collect any past due amounts that are represented on the K-1-P from the partnership or corporation and not from the partner or shareholder. Effective immediately.

LRB103 33557 HLH 63369 b

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 201 and 203 as follows:

6 (35 ILCS 5/201)

7 Sec. 201. Tax imposed.

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

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

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

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

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

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

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

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

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

1 after December 31, 2014, as calculated under Section
2 202.5.

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

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

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

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

21 (7) In the case of a corporation, for taxable years
22 beginning prior to July 1, 1989 and ending after June 30,
23 1989, an amount equal to the sum of (i) 4% of the
24 taxpayer's net income for the period prior to July 1,
25 1989, as calculated under Section 202.3, and (ii) 4.8% of
26 the taxpayer's net income for the period after June 30,

1 1989, as calculated under Section 202.3.

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

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

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

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

24 (12) In the case of a corporation, for taxable years
25 beginning on or after January 1, 2015, and ending prior to
26 July 1, 2017, an amount equal to 5.25% of the taxpayer's

1 net income for the taxable year.

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

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

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

14 (b-5) Surcharge; sale or exchange of assets, properties,
15 and intangibles of organization gaming licensees. For each of
16 taxable years 2019 through 2027, a surcharge is imposed on all
17 taxpayers on income arising from the sale or exchange of
18 capital assets, depreciable business property, real property
19 used in the trade or business, and Section 197 intangibles (i)
20 of an organization licensee under the Illinois Horse Racing
21 Act of 1975 and (ii) of an organization gaming licensee under
22 the Illinois Gambling Act. The amount of the surcharge is
23 equal to the amount of federal income tax liability for the
24 taxable year attributable to those sales and exchanges. The
25 surcharge imposed shall not apply if:

26 (1) the organization gaming license, organization

1 license, or racetrack property is transferred as a result
2 of any of the following:

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

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

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

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

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

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

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

23 (2) the controlling interest in the organization
24 gaming license, organization license, or racetrack
25 property is transferred in a transaction to lineal
26 descendants in which no gain or loss is recognized or as a

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

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

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

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

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

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

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

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

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

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

23 equals 1.25% for taxable years ending prior to December
24 31, 2003, or 1.75% for taxable years ending on or after
25 December 31, 2003, of the net taxable premiums written for
26 the taxable year, as described by subsection (1) of

1 Section 409 of the Illinois Insurance Code. This paragraph
2 will in no event increase the rates imposed under
3 subsections (b) and (d).

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

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

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

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

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

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

22 (2) The term "qualified property" means property
23 which:

24 (A) is tangible, whether new or used, including
25 buildings and structural components of buildings and
26 signs that are real property, but not including land

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

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

10 (C) is acquired by purchase as defined in Section
11 179(d) of the Internal Revenue Code;

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

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

22 (3) For purposes of this subsection (e),
23 "manufacturing" means the material staging and production
24 of tangible personal property by procedures commonly
25 regarded as manufacturing, processing, fabrication, or
26 assembling which changes some existing material into new

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

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

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

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

25 (7) If during any taxable year, any property ceases to
26 be qualified property in the hands of the taxpayer within

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

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

21 (9) Each taxable year ending before December 31, 2000,
22 a partnership may elect to pass through to its partners
23 the credits to which the partnership is entitled under
24 this subsection (e) for the taxable year. A partner may
25 use the credit allocated to him or her under this
26 paragraph only against the tax imposed in subsections (c)

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

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

25 (f) Investment credit; Enterprise Zone; River Edge
26 Redevelopment Zone.

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

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

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

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

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

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

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

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

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

1 income tax purposes.

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

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

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

1 of such reduction.

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

20 (8) For taxable years beginning on or after January 1,
21 2021, there shall be allowed an Enterprise Zone
22 construction jobs credit against the taxes imposed under
23 subsections (a) and (b) of this Section as provided in
24 Section 13 of the Illinois Enterprise Zone Act.

25 The credit or credits may not reduce the taxpayer's
26 liability to less than zero. If the amount of the credit or

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

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

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

21 This paragraph (8) is exempt from the provisions of
22 Section 250.

23 (g) (Blank).

24 (h) Investment credit; High Impact Business.

25 (1) Subject to subsections (b) and (b-5) of Section
26 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall

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

1 tax years ending on or after December 31, 1987, the credit
2 shall be allowed for the tax year in which the property is
3 placed in service, or, if the amount of the credit exceeds
4 the tax liability for that year, whether it exceeds the
5 original liability or the liability as later amended, such
6 excess may be carried forward and applied to the tax
7 liability of the 5 taxable years following the excess
8 credit year. The credit shall be applied to the earliest
9 year for which there is a liability. If there is credit
10 from more than one tax year that is available to offset a
11 liability, the credit accruing first in time shall be
12 applied first.

13 Changes made in this subdivision (h) (1) by Public Act
14 88-670 restore changes made by Public Act 85-1182 and
15 reflect existing law.

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

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

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

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

26 (D) is not eligible for the Enterprise Zone

1 Investment Credit provided by subsection (f) of this
2 Section.

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

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

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

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

1 allowed. For the purposes of this paragraph (6), a
2 reduction of the basis of qualified property resulting
3 from a redetermination of the purchase price shall be
4 deemed a disposition of qualified property to the extent
5 of such reduction.

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

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

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

1 paragraph (4) of Section 211 of this Act. The credit or credits
2 shall be applied to the earliest year for which there is a tax
3 liability. If there are credits from more than one taxable
4 year that are available to offset a liability, the earlier
5 credit shall be applied first.

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

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

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

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

1 base income, and further multiplying the product by the tax
2 rate imposed by subsections (a) and (b) of this Section.

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

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

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

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

1 the earliest credit arising under this subsection shall be
2 applied first. No carryforward credit may be claimed in any
3 tax year ending on or after December 31, 2003.

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

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

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

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

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

1 credit is given was incurred.

2 No inference shall be drawn from Public Act 91-644 in
3 construing this Section for taxable years beginning before
4 January 1, 1999.

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

14 (l) Environmental Remediation Tax Credit.

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

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

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

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

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

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

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

1 January 1, 2017, no taxpayer may claim a credit under this
2 subsection (m) if the taxpayer's adjusted gross income for the
3 taxable year exceeds (i) \$500,000, in the case of spouses
4 filing a joint federal tax return or (ii) \$250,000, in the case
5 of all other taxpayers. This subsection is exempt from the
6 provisions of Section 250 of this Act.

7 For purposes of this subsection:

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

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

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

26 "Custodian" means, with respect to qualifying pupils, an

1 Illinois resident who is a parent, the parents, a legal
2 guardian, or the legal guardians of the qualifying pupils.

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

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

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

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

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

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

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

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

1 of any of the following:

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

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

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

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

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

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

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

25 (2) the cannabis cultivation center registration,
26 medical cannabis dispensary registration, or the

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

6 (p) Pass-through entity tax.

7 (1) For taxable years ending on or after December 31,
8 2021 and beginning prior to January 1, 2026, a partnership
9 (other than a publicly traded partnership under Section
10 7704 of the Internal Revenue Code) or Subchapter S
11 corporation may elect to apply the provisions of this
12 subsection. A separate election shall be made for each
13 taxable year. Such election shall be made at such time,
14 and in such form and manner as prescribed by the
15 Department, and, once made, is irrevocable.

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

22 (3) Net income defined.

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

1 (i) the standard exemption allowed under
2 Section 204;

3 (ii) the deduction for net losses allowed
4 under Section 207;

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

7 (iv) in the case of a partnership, the
8 modifications under Section 203(d)(2)(H) and
9 Section 203(d)(2)(I).

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

20 (4) Credit for entity level tax. Each partner or
21 shareholder of a taxpayer making the election under this
22 Section shall be allowed a credit against the tax imposed
23 under subsections (a) and (b) of Section 201 of this Act
24 for the taxable year of the partnership or Subchapter S
25 corporation for which an election is in effect ending
26 within or with the taxable year of the partner or

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

21 (5) Nonresidents. A nonresident individual who is a
22 partner or shareholder of a partnership or Subchapter S
23 corporation for a taxable year for which an election is in
24 effect under paragraph (1) shall not be required to file
25 an income tax return under this Act for such taxable year
26 if the only source of net income of the individual (or the

1 individual and the individual's spouse in the case of a
2 joint return) is from an entity making the election under
3 paragraph (1) and the credit allowed to the partner or
4 shareholder under paragraph (4) equals or exceeds the
5 individual's liability for the tax imposed under
6 subsections (a) and (b) of Section 201 of this Act for the
7 taxable year.

8 (6) Liability for tax. Except as provided in this
9 paragraph, a partnership or Subchapter S making the
10 election under paragraph (1) is liable for the
11 entity-level tax imposed under paragraph (2). If the
12 electing partnership or corporation fails to pay the full
13 amount of tax deemed assessed under paragraph (2), the
14 partners or shareholders shall be liable to pay the tax
15 assessed (including penalties and interest). Each partner
16 or shareholder shall be liable for the unpaid assessment
17 based on the ratio of the partner's or shareholder's share
18 of the net income of the partnership over the total net
19 income of the partnership. If the partnership or
20 Subchapter S corporation fails to pay the tax assessed
21 (including penalties and interest) and thereafter an
22 amount of such tax is paid by the partners or
23 shareholders, such amount shall not be collected from the
24 partnership or corporation. Notwithstanding the provisions
25 of this paragraph (6), if a Schedule K-1-P is issued to a
26 partner or shareholder by the partnership or corporation

1 indicating that the tax under this subsection (p) has been
2 paid by the partnership or corporation, the Department
3 shall collect any past due amounts that are represented on
4 the K-1-P from the partnership or corporation and not from
5 the partner or shareholder.

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

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

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

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

5 (Source: P.A. 101-9, eff. 6-5-19; 101-31, eff. 6-28-19;
6 101-207, eff. 8-2-19; 101-363, eff. 8-9-19; 102-558, eff.
7 8-20-21; 102-658, eff. 8-27-21.)

8 (35 ILCS 5/203) (from Ch. 120, par. 2-203)
9 Sec. 203. Base income defined.

10 (a) Individuals.

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

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

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

25 (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 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;

6 (HH) For taxable years beginning on or after
7 January 1, 2018 and prior to January 1, 2028, 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 and

19 (II) For taxable years that begin on or after
20 January 1, 2021 and begin before January 1, 2026, the
21 amount that is included in the taxpayer's federal
22 adjusted gross income pursuant to Section 61 of the
23 Internal Revenue Code as discharge of indebtedness
24 attributable to student loan forgiveness and that is
25 not excluded from the taxpayer's federal adjusted
26 gross income pursuant to paragraph (5) of subsection

1 (f) of Section 108 of the Internal Revenue Code.

2 (b) Corporations.

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

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

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

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

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

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

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

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

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

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

1 taxable year from any taxable year ending prior to
2 December 31, 1986 shall not exceed the amount of
3 such carryback or carryforward;

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

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

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

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

1 subparagraph (T) with respect to that property.

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

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

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

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

13 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

25 This paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (E-19) for taxable years ending on or after June
9 30, 2021, an amount equal to the deduction allowed
10 under Section 250(a)(1)(B)(i) of the Internal Revenue
11 Code for the taxable year;

12 (E-20) for taxable years ending on or after June
13 30, 2021, an amount equal to the deduction allowed
14 under Sections 243(e) and 245A(a) of the Internal
15 Revenue Code for the taxable year.

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

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

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

23 (H) In the case of a regulated investment company,
24 an amount equal to the amount of exempt interest
25 dividends as defined in subsection (b)(5) of Section
26 852 of the Internal Revenue Code, paid to shareholders

1 for the taxable year;

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

1 from the provisions of Section 250;

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

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

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

1 this subparagraph (L);

2 (M) For any taxpayer that is a financial
3 organization within the meaning of Section 304(c) of
4 this Act, an amount included in such total as interest
5 income from a loan or loans made by such taxpayer to a
6 borrower, to the extent that such a loan is secured by
7 property which is eligible for the River Edge
8 Redevelopment Zone Investment Credit. To determine the
9 portion of a loan or loans that is secured by property
10 eligible for a Section 201(f) investment credit to the
11 borrower, the entire principal amount of the loan or
12 loans between the taxpayer and the borrower should be
13 divided into the basis of the Section 201(f)
14 investment credit property which secures the loan or
15 loans, using for this purpose the original basis of
16 such property on the date that it was placed in service
17 in the River Edge Redevelopment Zone. The subtraction
18 modification available to the taxpayer in any year
19 under this subsection shall be that portion of the
20 total interest paid by the borrower with respect to
21 such loan attributable to the eligible property as
22 calculated under the previous sentence. This
23 subparagraph (M) is exempt from the provisions of
24 Section 250;

25 (M-1) For any taxpayer that is a financial
26 organization within the meaning of Section 304(c) of

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

25 (N) Two times any contribution made during the
26 taxable year to a designated zone organization to the

1 extent that the contribution (i) qualifies as a
2 charitable contribution under subsection (c) of
3 Section 170 of the Internal Revenue Code and (ii)
4 must, by its terms, be used for a project approved by
5 the Department of Commerce and Economic Opportunity
6 under Section 11 of the Illinois Enterprise Zone Act
7 or under Section 10-10 of the River Edge Redevelopment
8 Zone Act. This subparagraph (N) is exempt from the
9 provisions of Section 250;

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

1 received from a captive real estate investment trust;
2 plus (ii) 100% of the amount by which dividends,
3 included in taxable income and received, including,
4 for taxable years ending on or after December 31,
5 1988, dividends received or deemed received or paid or
6 deemed paid under Sections 951 through 964 of the
7 Internal Revenue Code and including, for taxable years
8 ending on or after December 31, 2008, dividends
9 received from a captive real estate investment trust,
10 from any such corporation specified in clause (i) that
11 would but for the provisions of Section 1504(b)(3) of
12 the Internal Revenue Code be treated as a member of the
13 affiliated group which includes the dividend
14 recipient, exceed the amount of the modification
15 provided under subparagraph (G) of paragraph (2) of
16 this subsection (b) which is related to such
17 dividends. For taxable years ending on or after June
18 30, 2021, (i) for purposes of this subparagraph, the
19 term "dividend" does not include any amount treated as
20 a dividend under Section 1248 of the Internal Revenue
21 Code, and (ii) this subparagraph shall not apply to
22 dividends for which a deduction is allowed under
23 Section 245(a) of the Internal Revenue Code. This
24 subparagraph (O) is exempt from the provisions of
25 Section 250 of this Act;

26 (P) An amount equal to any contribution made to a

1 job training project established pursuant to the Tax
2 Increment Allocation Redevelopment Act;

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

8 (R) On and after July 20, 1999, in the case of an
9 attorney-in-fact with respect to whom an interinsurer
10 or a reciprocal insurer has made the election under
11 Section 835 of the Internal Revenue Code, 26 U.S.C.
12 835, an amount equal to the excess, if any, of the
13 amounts paid or incurred by that interinsurer or
14 reciprocal insurer in the taxable year to the
15 attorney-in-fact over the deduction allowed to that
16 interinsurer or reciprocal insurer with respect to the
17 attorney-in-fact under Section 835(b) of the Internal
18 Revenue Code for the taxable year; the provisions of
19 this subparagraph are exempt from the provisions of
20 Section 250;

21 (S) For taxable years ending on or after December
22 31, 1997, in the case of a Subchapter S corporation, an
23 amount equal to all amounts of income allocable to a
24 shareholder subject to the Personal Property Tax
25 Replacement Income Tax imposed by subsections (c) and
26 (d) of Section 201 of this Act, including amounts

1 allocable to organizations exempt from federal income
2 tax by reason of Section 501(a) of the Internal
3 Revenue Code. This subparagraph (S) is exempt from the
4 provisions of Section 250;

5 (T) For taxable years 2001 and thereafter, for the
6 taxable year in which the bonus depreciation deduction
7 is taken on the taxpayer's federal income tax return
8 under subsection (k) of Section 168 of the Internal
9 Revenue Code and for each applicable taxable year
10 thereafter, an amount equal to "x", where:

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

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

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

24 (i) for property on which a bonus
25 depreciation deduction of 30% of the adjusted
26 basis was taken, "x" equals "y" multiplied by

1 30 and then divided by 70 (or "y" multiplied
2 by 0.429);

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

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

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

26 The aggregate amount deducted under this

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

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

13 If the taxpayer continues to own property through
14 the last day of the last tax year for which a
15 subtraction is allowed with respect to that property
16 under subparagraph (T) and for which the taxpayer was
17 required in any taxable year to make an addition
18 modification under subparagraph (E-10), then an amount
19 equal to that addition modification.

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

23 This subparagraph (U) is exempt from the
24 provisions of Section 250;

25 (V) The amount of: (i) any interest income (net of
26 the deductions allocable thereto) taken into account

1 for the taxable year with respect to a transaction
2 with a taxpayer that is required to make an addition
3 modification with respect to such transaction under
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
6 the amount of such addition modification, (ii) any
7 income from intangible property (net of the deductions
8 allocable thereto) taken into account for the taxable
9 year with respect to a transaction with a taxpayer
10 that is required to make an addition modification with
11 respect to such transaction under Section
12 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
13 203(d)(2)(D-8), but not to exceed the amount of such
14 addition modification, and (iii) any insurance premium
15 income (net of deductions allocable thereto) taken
16 into account for the taxable year with respect to a
17 transaction with a taxpayer that is required to make
18 an addition modification with respect to such
19 transaction under Section 203(a)(2)(D-19), Section
20 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
21 203(d)(2)(D-9), but not to exceed the amount of that
22 addition modification. This subparagraph (V) is exempt
23 from the provisions of Section 250;

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

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

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

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

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

1 taxpayer pursuant to this subparagraph (Y). This
2 subparagraph (Y) is exempt from the provisions of
3 Section 250; and

4 (Z) The difference between the nondeductible
5 controlled foreign corporation dividends under Section
6 965(e)(3) of the Internal Revenue Code over the
7 taxable income of the taxpayer, computed without
8 regard to Section 965(e)(2)(A) of the Internal Revenue
9 Code, and without regard to any net operating loss
10 deduction. This subparagraph (Z) is exempt from the
11 provisions of Section 250.

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

20 (c) Trusts and estates.

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

24 (2) Modifications. Subject to the provisions of
25 paragraph (3), the taxable income referred to in paragraph

1 (1) shall be modified by adding thereto the sum of the
2 following amounts:

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

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

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

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

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

1 than those provided by this subparagraph (E) exceeded
2 subtraction modifications in such taxable year, with
3 the following limitations applied in the order that
4 they are listed:

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

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

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

25 (F) For taxable years ending on or after January
26 1, 1989, an amount equal to the tax deducted pursuant

1 to Section 164 of the Internal Revenue Code if the
2 trust or estate is claiming the same tax for purposes
3 of the Illinois foreign tax credit under Section 601
4 of this Act;

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

9 (G-5) For taxable years ending after December 31,
10 1997, an amount equal to any eligible remediation
11 costs that the trust or estate deducted in computing
12 adjusted gross income and for which the trust or
13 estate claims a credit under subsection (l) of Section
14 201;

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

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

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

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

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

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

12 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

24 This paragraph shall not apply to the following:

25 (i) any item of intangible expenses or costs
26 paid, accrued, or incurred, directly or

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

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

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

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

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

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

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

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

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

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

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

23 and by deducting from the total so obtained the sum of the
24 following amounts:

25 (H) An amount equal to all amounts included in
26 such total pursuant to the provisions of Sections

1 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408
2 of the Internal Revenue Code or included in such total
3 as distributions under the provisions of any
4 retirement or disability plan for employees of any
5 governmental agency or unit, or retirement payments to
6 retired partners, which payments are excluded in
7 computing net earnings from self employment by Section
8 1402 of the Internal Revenue Code and regulations
9 adopted pursuant thereto;

10 (I) The valuation limitation amount;

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

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

25 (L) With the exception of any amounts subtracted
26 under subparagraph (K), an amount equal to the sum of

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

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

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

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

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

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

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

22 (R) For taxable years 2001 and thereafter, for the
23 taxable year in which the bonus depreciation deduction
24 is taken on the taxpayer's federal income tax return
25 under subsection (k) of Section 168 of the Internal
26 Revenue Code and for each applicable taxable year

1 thereafter, an amount equal to "x", where:

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

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

13 (3) for taxable years ending after December
14 31, 2005:

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

20 (ii) for property on which a bonus
21 depreciation deduction of 50% of the adjusted
22 basis was taken, "x" equals "y" multiplied by
23 1.0;

24 (iii) for property on which a bonus
25 depreciation deduction of 100% of the adjusted
26 basis was taken in a taxable year ending on or

1 after December 31, 2021, "x" equals the
2 depreciation deduction that would be allowed
3 on that property if the taxpayer had made the
4 election under Section 168(k)(7) of the
5 Internal Revenue Code to not claim bonus
6 depreciation on that property; and

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

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

25 (S) If the taxpayer sells, transfers, abandons, or
26 otherwise disposes of property for which the taxpayer

1 was required in any taxable year to make an addition
2 modification under subparagraph (G-10), then an amount
3 equal to that addition modification.

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

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

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

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

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

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

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

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

1 of taxable income. This subparagraph (W) is exempt
2 from Section 250;

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

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

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

1 deduction by Section 461(1)(1)(B) of the Internal
2 Revenue Code.

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

10 (d) Partnerships.

11 (1) In general. In the case of a partnership, 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. The taxable income referred to in
15 paragraph (1) shall be modified by adding thereto the sum
16 of the following amounts:

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

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

24 (C) The amount of deductions allowed to the
25 partnership pursuant to Section 707 (c) of the

1 Internal Revenue Code in calculating its taxable
2 income;

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

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

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

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

26 The taxpayer is required to make the addition

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

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

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

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

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

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

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

16 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (E) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

1 that dividends eligible for the deduction provided in
2 subparagraph (K) of paragraph (2) of this subsection
3 shall not be eligible for the deduction provided under
4 this subparagraph (M);

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

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

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

23 (2) for taxable years ending on or before
24 December 31, 2005, "x" equals "y" multiplied by 30
25 and then divided by 70 (or "y" multiplied by
26 0.429); and

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

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

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

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

21 (iv) for property on which a bonus
22 depreciation deduction of a percentage other
23 than 30%, 50% or 100% of the adjusted basis
24 was taken in a taxable year ending on or after
25 December 31, 2021, "x" equals "y" multiplied
26 by 100 times the percentage bonus depreciation

1 on the property (that is, $100(\text{bonus}\%)$) and
2 then divided by 100 times 1 minus the
3 percentage bonus depreciation on the property
4 (that is, $100(1-\text{bonus}\%)$).

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

13 (P) If the taxpayer sells, transfers, abandons, or
14 otherwise disposes of property for which the taxpayer
15 was required in any taxable year to make an addition
16 modification under subparagraph (D-5), then an amount
17 equal to that addition modification.

18 If the taxpayer continues to own property through
19 the last day of the last tax year for which a
20 subtraction is allowed with respect to that property
21 under subparagraph (O) and for which the taxpayer was
22 required in any taxable year to make an addition
23 modification under subparagraph (D-5), then an amount
24 equal to that addition modification.

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

1 one piece of property.

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

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

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

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

15 (S) 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(d)(2)(D-8) for intangible expenses and costs paid,
7 accrued, or incurred, directly or indirectly, to the
8 same person. This subparagraph (S) is exempt from
9 Section 250; and

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

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

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

1 addition modification must be made under those
2 subparagraphs for any other taxable year to which the
3 taxable income less than zero (net operating loss) is
4 applied under Section 172 of the Internal Revenue Code or
5 under subparagraph (E) of paragraph (2) of this subsection
6 (e) applied in conjunction with Section 172 of the
7 Internal Revenue Code.

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

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

18 (B) Certain other insurance companies. In the case
19 of mutual insurance companies subject to the tax
20 imposed by Section 831 of the Internal Revenue Code,
21 insurance company taxable income;

22 (C) Regulated investment companies. In the case of
23 a regulated investment company subject to the tax
24 imposed by Section 852 of the Internal Revenue Code,
25 investment company taxable income;

26 (D) Real estate investment trusts. In the case of

1 a real estate investment trust subject to the tax
2 imposed by Section 857 of the Internal Revenue Code,
3 real estate investment trust taxable income;

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

17 (F) Cooperatives. In the case of a cooperative
18 corporation or association, the taxable income of such
19 organization determined in accordance with the
20 provisions of Section 1381 through 1388 of the
21 Internal Revenue Code, but without regard to the
22 prohibition against offsetting losses from patronage
23 activities against income from nonpatronage
24 activities; except that a cooperative corporation or
25 association may make an election to follow its federal
26 income tax treatment of patronage losses and

1 nonpatronage losses. In the event such election is
2 made, such losses shall be computed and carried over
3 in a manner consistent with subsection (a) of Section
4 207 of this Act and apportioned by the apportionment
5 factor reported by the cooperative on its Illinois
6 income tax return filed for the taxable year in which
7 the losses are incurred. The election shall be
8 effective for all taxable years with original returns
9 due on or after the date of the election. In addition,
10 the cooperative may file an amended return or returns,
11 as allowed under this Act, to provide that the
12 election shall be effective for losses incurred or
13 carried forward for taxable years occurring prior to
14 the date of the election. Once made, the election may
15 only be revoked upon approval of the Director. The
16 Department shall adopt rules setting forth
17 requirements for documenting the elections and any
18 resulting Illinois net loss and the standards to be
19 used by the Director in evaluating requests to revoke
20 elections. Public Act 96-932 is declaratory of
21 existing law;

22 (G) Subchapter S corporations. In the case of: (i)
23 a Subchapter S corporation for which there is in
24 effect an election for the taxable year under Section
25 1362 of the Internal Revenue Code, the taxable income
26 of such corporation determined in accordance with

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

13 (H) Partnerships. In the case of a partnership,
14 taxable income determined in accordance with Section
15 703 of the Internal Revenue Code, except that taxable
16 income shall take into account those items which are
17 required by Section 703(a)(1) to be separately stated
18 but which would be taken into account by an individual
19 in calculating his taxable income.

20 (3) Recapture of business expenses on disposition of
21 asset or business. Notwithstanding any other law to the
22 contrary, if in prior years income from an asset or
23 business has been classified as business income and in a
24 later year is demonstrated to be non-business income, then
25 all expenses, without limitation, deducted in such later
26 year and in the 2 immediately preceding taxable years

1 related to that asset or business that generated the
2 non-business income shall be added back and recaptured as
3 business income in the year of the disposition of the
4 asset or business. Such amount shall be apportioned to
5 Illinois using the greater of the apportionment fraction
6 computed for the business under Section 304 of this Act
7 for the taxable year or the average of the apportionment
8 fractions computed for the business under Section 304 of
9 this Act for the taxable year and for the 2 immediately
10 preceding taxable years.

11 (f) Valuation limitation amount.

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

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

21 (B) The lesser of (i) the sum of the pre-August 1,
22 1969 appreciation amounts (to the extent consisting of
23 capital gain) for all property in respect of which
24 such gain was reported for federal income tax purposes
25 for the taxable year, or (ii) the net capital gain for

1 the taxable year, reduced in either case by any amount
2 of such gain included in the amount determined under
3 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

1 (C) The Department shall prescribe such
2 regulations as may be necessary to carry out the
3 purposes of this paragraph.

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

7 (g-5) For taxable years beginning on or after January 1,
8 2024, in calculating the taxpayer's base income, the
9 taxpayer's federal adjusted gross income shall also be
10 modified to exclude the portion of the income or loss received
11 from a trade or business conducted within and without Illinois
12 or from a pass-through entity conducting business within and
13 without Illinois that is not derived from or connected with
14 Illinois sources as determined in the provisions in Article 3
15 of this Act. This subsection (g-5) is exempt from the
16 provisions of Section 250.

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

1 August 1, 1969 or otherwise.

2 (Source: P.A. 101-9, eff. 6-5-19; 101-81, eff. 7-12-19;
3 102-16, eff. 6-17-21; 102-558, eff. 8-20-21; 102-658, eff.
4 8-27-21; 102-813, eff. 5-13-22; 102-1112, eff. 12-21-22.)

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