



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB4669

Introduced 2/6/2024, by Rep. Amy Elik

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203
35 ILCS 735/3-3.5 new

Amends the Illinois Income Tax Act. Creates an income tax deduction for an amount of up to \$50,000 per tax year contributed to a small business asset purchase account and all interest earned on such accounts during the tax year. Provides that a "small business asset purchase account" means an account established by a taxpayer, the proceeds of which are used to purchase property used primarily in Illinois for which a federal income tax deduction is claimed under Section 179 of the Internal Revenue Code. Provides an addition modification for amounts withdrawn from a small business asset purchase account that are not used for qualified purchases. Amends the Uniform Penalty and Interest Act to establish a penalty for improper use of moneys in a small business asset purchase account. Effective immediately.

LRB103 38044 HLH 68176 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 Section 203 as follows:

6 (35 ILCS 5/203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (D-26) An amount that is withdrawn by the taxpayer
12 from a small business asset purchase account during
13 the taxable year and that is not used for the purchase
14 of qualified property; as used in this subparagraph
15 (D-26), "qualified property" means property that is
16 used predominantly in Illinois and for which a
17 deduction under Section 179 of the Internal Revenue
18 Code is claimed for the tax year in which the amount is
19 withdrawn from the small business asset purchase
20 account; amounts that are subject to the addition
21 modification under this subparagraph (D-26) are also
22 subject to the 10% penalty for ineligible use under
23 Section 3-3.5 of the Uniform Penalty and Interest Act;

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

26 (E) For taxable years ending before December 31,

1 2001, any amount included in such total in respect of
2 any compensation (including but not limited to any
3 compensation paid or accrued to a serviceman while a
4 prisoner of war or missing in action) paid to a
5 resident by reason of being on active duty in the Armed
6 Forces of the United States and in respect of any
7 compensation paid or accrued to a resident who as a
8 governmental employee was a prisoner of war or missing
9 in action, and in respect of any compensation paid to a
10 resident in 1971 or thereafter for annual training
11 performed pursuant to Sections 502 and 503, Title 32,
12 United States Code as a member of the Illinois
13 National Guard or, beginning with taxable years ending
14 on or after December 31, 2007, the National Guard of
15 any other state. For taxable years ending on or after
16 December 31, 2001, any amount included in such total
17 in respect of any compensation (including but not
18 limited to any compensation paid or accrued to a
19 serviceman while a prisoner of war or missing in
20 action) paid to a resident by reason of being a member
21 of any component of the Armed Forces of the United
22 States and in respect of any compensation paid or
23 accrued to a resident who as a governmental employee
24 was a prisoner of war or missing in action, and in
25 respect of any compensation paid to a resident in 2001
26 or thereafter by reason of being a member of the

1 Illinois National Guard or, beginning with taxable
2 years ending on or after December 31, 2007, the
3 National Guard of any other state. The provisions of
4 this subparagraph (E) are exempt from the provisions
5 of Section 250;

6 (F) An amount equal to all amounts included in
7 such total pursuant to the provisions of Sections
8 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
9 408 of the Internal Revenue Code, or included in such
10 total as distributions under the provisions of any
11 retirement or disability plan for employees of any
12 governmental agency or unit, or retirement payments to
13 retired partners, which payments are excluded in
14 computing net earnings from self employment by Section
15 1402 of the Internal Revenue Code and regulations
16 adopted pursuant thereto;

17 (G) The valuation limitation amount;

18 (H) 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 (I) An amount equal to all amounts included in
22 such total pursuant to the provisions of Section 111
23 of the Internal Revenue Code as a recovery of items
24 previously deducted from adjusted gross income in the
25 computation of taxable income;

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

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

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

17 (L) For taxable years ending after December 31,
18 1983, an amount equal to all social security benefits
19 and railroad retirement benefits included in such
20 total pursuant to Sections 72(r) and 86 of the
21 Internal Revenue Code;

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

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

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

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

25 (P) An amount equal to the amount of the deduction
26 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of
2 right for the taxable year pursuant to Section 1341 of
3 the Internal Revenue Code or of any itemized deduction
4 taken from adjusted gross income in the computation of
5 taxable income for restoration of substantial amounts
6 held under claim of right for the taxable year;

7 (Q) An amount equal to any amounts included in
8 such total, received by the taxpayer as an
9 acceleration in the payment of life, endowment or
10 annuity benefits in advance of the time they would
11 otherwise be payable as an indemnity for a terminal
12 illness;

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

15 (S) An amount, to the extent included in adjusted
16 gross income, equal to the amount of a contribution
17 made in the taxable year on behalf of the taxpayer to a
18 medical care savings account established under the
19 Medical Care Savings Account Act or the Medical Care
20 Savings Account Act of 2000 to the extent the
21 contribution is accepted by the account administrator
22 as provided in that Act;

23 (T) An amount, to the extent included in adjusted
24 gross income, equal to the amount of interest earned
25 in the taxable year on a medical care savings account
26 established under the Medical Care Savings Account Act

1 or the Medical Care Savings Account Act of 2000 on
2 behalf of the taxpayer, other than interest added
3 pursuant to item (D-5) of this paragraph (2);

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

10 (V) Beginning with tax years ending on or after
11 December 31, 1995 and ending with tax years ending on
12 or before December 31, 2004, an amount equal to the
13 amount paid by a taxpayer who is a self-employed
14 taxpayer, a partner of a partnership, or a shareholder
15 in a Subchapter S corporation for health insurance or
16 long-term care insurance for that taxpayer or that
17 taxpayer's spouse or dependents, to the extent that
18 the amount paid for that health insurance or long-term
19 care insurance may be deducted under Section 213 of
20 the Internal Revenue Code, has not been deducted on
21 the federal income tax return of the taxpayer, and
22 does not exceed the taxable income attributable to
23 that taxpayer's income, self-employment income, or
24 Subchapter S corporation income; except that no
25 deduction shall be allowed under this item (V) if the
26 taxpayer is eligible to participate in any health

1 insurance or long-term care insurance plan of an
2 employer of the taxpayer or the taxpayer's spouse. The
3 amount of the health insurance and long-term care
4 insurance subtracted under this item (V) shall be
5 determined by multiplying total health insurance and
6 long-term care insurance premiums paid by the taxpayer
7 times a number that represents the fractional
8 percentage of eligible medical expenses under Section
9 213 of the Internal Revenue Code of 1986 not actually
10 deducted on the taxpayer's federal income tax return;

11 (W) For taxable years beginning on or after
12 January 1, 1998, all amounts included in the
13 taxpayer's federal gross income in the taxable year
14 from amounts converted from a regular IRA to a Roth
15 IRA. This paragraph is exempt from the provisions of
16 Section 250;

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

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

24 (Y) For taxable years beginning on or after
25 January 1, 2002 and ending on or before December 31,
26 2004, moneys contributed in the taxable year to a

1 College Savings Pool account under Section 16.5 of the
2 State Treasurer Act, except that amounts excluded from
3 gross income under Section 529(c)(3)(C)(i) of the
4 Internal Revenue Code shall not be considered moneys
5 contributed under this subparagraph (Y). For taxable
6 years beginning on or after January 1, 2005, a maximum
7 of \$10,000 contributed in the taxable year to (i) a
8 College Savings Pool account under Section 16.5 of the
9 State Treasurer Act or (ii) the Illinois Prepaid
10 Tuition Trust Fund, except that amounts excluded from
11 gross income under Section 529(c)(3)(C)(i) of the
12 Internal Revenue Code shall not be considered moneys
13 contributed under this subparagraph (Y). For purposes
14 of this subparagraph, contributions made by an
15 employer on behalf of an employee, or matching
16 contributions made by an employee, shall be treated as
17 made by the employee. This subparagraph (Y) is exempt
18 from the provisions of Section 250;

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

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

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

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

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

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

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

21 (iii) for property on which a bonus
22 depreciation deduction of 100% of the adjusted
23 basis was taken in a taxable year ending on or
24 after December 31, 2021, "x" equals the
25 depreciation deduction that would be allowed
26 on that property if the taxpayer had made the

1 election under Section 168(k)(7) of the
2 Internal Revenue Code to not claim bonus
3 depreciation on that property; and

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

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

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

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 (Z) and for which the taxpayer was
5 required in any taxable year to make an addition
6 modification under subparagraph (D-15), then an amount
7 equal to that addition modification.

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

11 This subparagraph (AA) is exempt from the
12 provisions of Section 250;

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

16 (CC) 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 that 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 that
5 addition modification. This subparagraph (CC) is
6 exempt from the provisions of Section 250;

7 (DD) 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 that the foreign person's business
13 activity outside the United States is 80% or more of
14 that person's total business activity and (ii) for
15 taxable years ending on or after December 31, 2008, to
16 a person who would be a member of the same unitary
17 business group but for the fact that the person is
18 prohibited under Section 1501(a)(27) from being
19 included in the unitary business group because he or
20 she is ordinarily required to apportion business
21 income under different subsections of Section 304, but
22 not to exceed the addition modification required to be
23 made for the same taxable year under Section
24 203(a)(2)(D-17) for interest paid, accrued, or
25 incurred, directly or indirectly, to the same person.
26 This subparagraph (DD) is exempt from the provisions

1 of Section 250;

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

23 (FF) An amount equal to any amount awarded to the
24 taxpayer during the taxable year by the Court of
25 Claims under subsection (c) of Section 8 of the Court
26 of Claims Act for time unjustly served in a State

1 prison. This subparagraph (FF) is exempt from the
2 provisions of Section 250;

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

19 (HH) For taxable years beginning on or after
20 January 1, 2018 and prior to January 1, 2028, a maximum
21 of \$10,000 contributed in the taxable year to a
22 qualified ABLE account under Section 16.6 of the State
23 Treasurer Act, except that amounts excluded from gross
24 income under Section 529(c)(3)(C)(i) or Section
25 529A(c)(1)(C) of the Internal Revenue Code shall not
26 be considered moneys contributed under this

1 subparagraph (HH). For purposes of this subparagraph
2 (HH), contributions made by an employer on behalf of
3 an employee, or matching contributions made by an
4 employee, shall be treated as made by the employee;

5 (II) For taxable years that begin on or after
6 January 1, 2021 and begin before January 1, 2026, the
7 amount that is included in the taxpayer's federal
8 adjusted gross income pursuant to Section 61 of the
9 Internal Revenue Code as discharge of indebtedness
10 attributable to student loan forgiveness and that is
11 not excluded from the taxpayer's federal adjusted
12 gross income pursuant to paragraph (5) of subsection
13 (f) of Section 108 of the Internal Revenue Code; ~~and~~

14 (JJ) For taxable years beginning on or after
15 January 1, 2023, for any cannabis establishment
16 operating in this State and licensed under the
17 Cannabis Regulation and Tax Act or any cannabis
18 cultivation center or medical cannabis dispensing
19 organization operating in this State and licensed
20 under the Compassionate Use of Medical Cannabis
21 Program Act, an amount equal to the deductions that
22 were disallowed under Section 280E of the Internal
23 Revenue Code for the taxable year and that would not be
24 added back under this subsection. The provisions of
25 this subparagraph (JJ) are exempt from the provisions
26 of Section 250~~;~~

1 (KK) ~~(JJ)~~ To the extent includible in gross income
2 for federal income tax purposes, any amount awarded or
3 paid to the taxpayer as a result of a judgment or
4 settlement for fertility fraud as provided in Section
5 15 of the Illinois Fertility Fraud Act, donor
6 fertility fraud as provided in Section 20 of the
7 Illinois Fertility Fraud Act, or similar action in
8 another state; and ~~—~~

9 (LL) For taxable years beginning on or after
10 January 1, 2025, an amount of up to \$50,000 per tax
11 year contributed by the taxpayer to a small business
12 asset purchase account during the tax year, plus all
13 interest earned on those accounts during the tax year;
14 as used in this subparagraph (LL), "small business
15 asset purchase account" means an account established
16 by a taxpayer, the proceeds of which are used to
17 purchase property that is used primarily in Illinois
18 and for which a federal income tax deduction is
19 claimed under Section 179 of the Internal Revenue
20 Code.

21 (b) Corporations.

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

25 (2) Modifications. The taxable income referred to in

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

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

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

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

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

26 (E) For taxable years in which a net operating

1 loss carryback or carryforward from a taxable year
2 ending prior to December 31, 1986 is an element of
3 taxable income under paragraph (1) of subsection (e)
4 or subparagraph (E) of paragraph (2) of subsection
5 (e), the amount by which addition modifications other
6 than those provided by this subparagraph (E) exceeded
7 subtraction modifications in such earlier taxable
8 year, with the following limitations applied in the
9 order that they are listed:

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

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

23 For taxable years in which there is a net
24 operating loss carryback or carryforward from more
25 than one other taxable year ending prior to December
26 31, 1986, the addition modification provided in this

1 subparagraph (E) shall be the sum of the amounts
2 computed independently under the preceding provisions
3 of this subparagraph (E) for each such taxable year;

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

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

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

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

1 equal to that subtraction modification.

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

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

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

6 This paragraph shall not apply to the following:

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

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

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

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

1 terms; or

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

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

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

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

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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

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

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

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

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

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

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

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

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

9 (E-15) For taxable years beginning after December
10 31, 2008, any deduction for dividends paid by a
11 captive real estate investment trust that is allowed
12 to a real estate investment trust under Section
13 857(b)(2)(B) of the Internal Revenue Code for
14 dividends paid;

15 (E-16) 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 (E-17) 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 (E-18) for taxable years beginning after December
24 31, 2018, an amount equal to the deduction allowed
25 under Section 250(a)(1)(A) of the Internal Revenue
26 Code for the taxable year;

1 (E-19) for taxable years ending on or after June
2 30, 2021, an amount equal to the deduction allowed
3 under Section 250(a)(1)(B)(i) of the Internal Revenue
4 Code for the taxable year;

5 (E-20) for taxable years ending on or after June
6 30, 2021, an amount equal to the deduction allowed
7 under Sections 243(e) and 245A(a) of the Internal
8 Revenue Code for the taxable year; and -

9 (E-21) An amount that is withdrawn by the taxpayer
10 from a small business asset purchase account during
11 the taxable year and that is not used for the purchase
12 of qualified property; as used in this subparagraph
13 (E-21), "qualified property" means property that is
14 used predominantly in Illinois and for which a
15 deduction under Section 179 of the Internal Revenue
16 Code is claimed for the tax year in which the amount is
17 withdrawn from the small business asset purchase
18 account; amounts that are subject to the addition
19 modification under this subparagraph (E-21) are also
20 subject to the 10% penalty for ineligible use under
21 Section 3-3.5 of the Uniform Penalty and Interest Act;

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

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

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

3 (H) In the case of a regulated investment company,
4 an amount equal to the amount of exempt interest
5 dividends as defined in subsection (b)(5) of Section
6 852 of the Internal Revenue Code, paid to shareholders
7 for the taxable year;

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

1 the case of a life insurance company with gross income
2 from a decrease in reserves for the tax year) or
3 Section 807(b)(1)(B) of the Internal Revenue Code (in
4 the case of a life insurance company allowed a
5 deduction for an increase in reserves for the tax
6 year); the provisions of this subparagraph are exempt
7 from the provisions of Section 250;

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

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

25 (L) An amount equal to those dividends included in
26 such total that were paid by a corporation that

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

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

1 such loan attributable to the eligible property as
2 calculated under the previous sentence. This
3 subparagraph (M) is exempt from the provisions of
4 Section 250;

5 (M-1) For any taxpayer that is a financial
6 organization within the meaning of Section 304(c) of
7 this Act, an amount included in such total as interest
8 income from a loan or loans made by such taxpayer to a
9 borrower, to the extent that such a loan is secured by
10 property which is eligible for the High Impact
11 Business Investment Credit. To determine the portion
12 of a loan or loans that is secured by property eligible
13 for a Section 201(h) investment credit to the
14 borrower, the entire principal amount of the loan or
15 loans between the taxpayer and the borrower should be
16 divided into the basis of the Section 201(h)
17 investment credit property which secures the loan or
18 loans, using for this purpose the original basis of
19 such property on the date that it was placed in service
20 in a federally designated Foreign Trade Zone or
21 Sub-Zone located in Illinois. No taxpayer that is
22 eligible for the deduction provided in subparagraph
23 (M) of paragraph (2) of this subsection shall be
24 eligible for the deduction provided under this
25 subparagraph (M-1). The subtraction modification
26 available to taxpayers in any year under this

1 subsection shall be that portion of the total interest
2 paid by the borrower with respect to such loan
3 attributable to the eligible property as calculated
4 under the previous sentence;

5 (N) Two times any contribution made during the
6 taxable year to a designated zone organization to the
7 extent that the contribution (i) qualifies as a
8 charitable contribution under subsection (c) of
9 Section 170 of the Internal Revenue Code and (ii)
10 must, by its terms, be used for a project approved by
11 the Department of Commerce and Economic Opportunity
12 under Section 11 of the Illinois Enterprise Zone Act
13 or under Section 10-10 of the River Edge Redevelopment
14 Zone Act. This subparagraph (N) is exempt from the
15 provisions of Section 250;

16 (O) An amount equal to: (i) 85% for taxable years
17 ending on or before December 31, 1992, or, a
18 percentage equal to the percentage allowable under
19 Section 243(a)(1) of the Internal Revenue Code of 1986
20 for taxable years ending after December 31, 1992, of
21 the amount by which dividends included in taxable
22 income and received from a corporation that is not
23 created or organized under the laws of the United
24 States or any state or political subdivision thereof,
25 including, for taxable years ending on or after
26 December 31, 1988, dividends received or deemed

1 received or paid or deemed paid under Sections 951
2 through 965 of the Internal Revenue Code, exceed the
3 amount of the modification provided under subparagraph
4 (G) of paragraph (2) of this subsection (b) which is
5 related to such dividends, and including, for taxable
6 years ending on or after December 31, 2008, dividends
7 received from a captive real estate investment trust;
8 plus (ii) 100% of the amount by which dividends,
9 included in taxable income and received, including,
10 for taxable years ending on or after December 31,
11 1988, dividends received or deemed received or paid or
12 deemed paid under Sections 951 through 964 of the
13 Internal Revenue Code and including, for taxable years
14 ending on or after December 31, 2008, dividends
15 received from a captive real estate investment trust,
16 from any such corporation specified in clause (i) that
17 would but for the provisions of Section 1504(b)(3) of
18 the Internal Revenue Code be treated as a member of the
19 affiliated group which includes the dividend
20 recipient, exceed the amount of the modification
21 provided under subparagraph (G) of paragraph (2) of
22 this subsection (b) which is related to such
23 dividends. For taxable years ending on or after June
24 30, 2021, (i) for purposes of this subparagraph, the
25 term "dividend" does not include any amount treated as
26 a dividend under Section 1248 of the Internal Revenue

1 Code, and (ii) this subparagraph shall not apply to
2 dividends for which a deduction is allowed under
3 Section 245(a) of the Internal Revenue Code. This
4 subparagraph (O) is exempt from the provisions of
5 Section 250 of this Act;

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

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

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

1 (S) For taxable years ending on or after December
2 31, 1997, in the case of a Subchapter S corporation, an
3 amount equal to all amounts of income allocable to a
4 shareholder subject to the Personal Property Tax
5 Replacement Income Tax imposed by subsections (c) and
6 (d) of Section 201 of this Act, including amounts
7 allocable to organizations exempt from federal income
8 tax by reason of Section 501(a) of the Internal
9 Revenue Code. This subparagraph (S) is exempt from the
10 provisions of Section 250;

11 (T) For taxable years 2001 and thereafter, for the
12 taxable year in which the bonus depreciation deduction
13 is taken on the taxpayer's federal income tax return
14 under subsection (k) of Section 168 of the Internal
15 Revenue Code and for each applicable taxable year
16 thereafter, an amount equal to "x", where:

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

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

1 0.429); and

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

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

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

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

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

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

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

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

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 (T) and for which the taxpayer was
23 required in any taxable year to make an addition
24 modification under subparagraph (E-10), then an amount
25 equal to that addition modification.

26 The taxpayer is allowed to take the deduction

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

3 This subparagraph (U) is exempt from the
4 provisions of Section 250;

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

1 203(d) (2) (D-9), but not to exceed the amount of that
2 addition modification. This subparagraph (V) is exempt
3 from the provisions of Section 250;

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

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

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

20 (Y) For taxable years ending on or after December
21 31, 2011, in the case of a taxpayer who was required to
22 add back any insurance premiums under Section
23 203(b)(2)(E-14), such taxpayer may elect to subtract
24 that part of a reimbursement received from the
25 insurance company equal to the amount of the expense
26 or loss (including expenses incurred by the insurance

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

10 (Z) The difference between the nondeductible
11 controlled foreign corporation dividends under Section
12 965(e)(3) of the Internal Revenue Code over the
13 taxable income of the taxpayer, computed without
14 regard to Section 965(e)(2)(A) of the Internal Revenue
15 Code, and without regard to any net operating loss
16 deduction. This subparagraph (Z) is exempt from the
17 provisions of Section 250; ~~and~~

18 (AA) For taxable years beginning on or after
19 January 1, 2023, for any cannabis establishment
20 operating in this State and licensed under the
21 Cannabis Regulation and Tax Act or any cannabis
22 cultivation center or medical cannabis dispensing
23 organization operating in this State and licensed
24 under the Compassionate Use of Medical Cannabis
25 Program Act, an amount equal to the deductions that
26 were disallowed under Section 280E of the Internal

1 Revenue Code for the taxable year and that would not be
2 added back under this subsection. The provisions of
3 this subparagraph (AA) are exempt from the provisions
4 of Section 250; and -

5 (BB) For taxable years beginning on or after
6 January 1, 2025, an amount of up to \$50,000 per tax
7 year contributed by the taxpayer to a small business
8 asset purchase account during the tax year, plus all
9 interest earned on those accounts during the tax year;
10 as used in this subparagraph (BB), "small business
11 asset purchase account" means an account established
12 by a taxpayer, the proceeds of which are used to
13 purchase property that is used primarily in Illinois
14 and for which a federal income tax deduction is
15 claimed under Section 179 of the Internal Revenue
16 Code.

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

25 (c) Trusts and estates.

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

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

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

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

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

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

26 (E) For taxable years in which a net operating

1 loss carryback or carryforward from a taxable year
2 ending prior to December 31, 1986 is an element of
3 taxable income under paragraph (1) of subsection (e)
4 or subparagraph (E) of paragraph (2) of subsection
5 (e), the amount by which addition modifications other
6 than those provided by this subparagraph (E) exceeded
7 subtraction modifications in such taxable year, with
8 the following limitations applied in the order that
9 they are listed:

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

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

23 For taxable years in which there is a net
24 operating loss carryback or carryforward from more
25 than one other taxable year ending prior to December
26 31, 1986, the addition modification provided in this

1 subparagraph (E) shall be the sum of the amounts
2 computed independently under the preceding provisions
3 of this subparagraph (E) for each such taxable year;

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

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

14 (G-5) For taxable years ending after December 31,
15 1997, an amount equal to any eligible remediation
16 costs that the trust or estate deducted in computing
17 adjusted gross income and for which the trust or
18 estate claims a credit under subsection (l) of Section
19 201;

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

25 (G-11) If the taxpayer sells, transfers, abandons,
26 or otherwise disposes of property for which the

1 taxpayer was required in any taxable year to make an
2 addition modification under subparagraph (G-10), then
3 an amount equal to the aggregate amount of the
4 deductions taken in all taxable years under
5 subparagraph (R) with respect to that property.

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

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

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

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

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

1 trademarks, service marks, copyrights, mask works,
2 trade secrets, and similar types of intangible assets.

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

1 for the taxable year;

2 (G-17) An amount that is withdrawn by the taxpayer
3 from a small business asset purchase account during
4 the taxable year and that is not used for the purchase
5 of qualified property; as used in this subparagraph
6 (G-17), "qualified property" means property that is
7 used predominantly in Illinois and for which a
8 deduction under Section 179 of the Internal Revenue
9 Code is claimed for the tax year in which the amount is
10 withdrawn from the small business asset purchase
11 account; amounts that are subject to the addition
12 modification under this subparagraph (G-17) are also
13 subject to the 10% penalty for ineligible use under
14 Section 3-3.5 of the Uniform Penalty and Interest Act;

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

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

1 adopted pursuant thereto;

2 (I) The valuation limitation amount;

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

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

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

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

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

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

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

1 this subparagraph (O);

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

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

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

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

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

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

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

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

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

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

25 (iv) for property on which a bonus
26 depreciation deduction of a percentage other

1 than 30%, 50% or 100% of the adjusted basis
2 was taken in a taxable year ending on or after
3 December 31, 2021, "x" equals "y" multiplied
4 by 100 times the percentage bonus depreciation
5 on the property (that is, $100(\text{bonus}\%)$) and
6 then divided by 100 times 1 minus the
7 percentage bonus depreciation on the property
8 (that is, $100(1-\text{bonus}\%)$).

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

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

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which a
24 subtraction is allowed with respect to that property
25 under subparagraph (R) and for which the taxpayer was
26 required in any taxable year to make an addition

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

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

6 This subparagraph (S) is exempt from the
7 provisions of Section 250;

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

25 (U) An amount equal to the interest income taken
26 into account for the taxable year (net of the

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

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

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

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

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

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

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

21 (AA) For taxable years beginning on or after
22 January 1, 2023, for any cannabis establishment
23 operating in this State and licensed under the
24 Cannabis Regulation and Tax Act or any cannabis
25 cultivation center or medical cannabis dispensing
26 organization operating in this State and licensed

1 under the Compassionate Use of Medical Cannabis
2 Program Act, an amount equal to the deductions that
3 were disallowed under Section 280E of the Internal
4 Revenue Code for the taxable year and that would not be
5 added back under this subsection. The provisions of
6 this subparagraph (AA) are exempt from the provisions
7 of Section 250; and -

8 (BB) For taxable years beginning on or after
9 January 1, 2025, an amount of up to \$50,000 per tax
10 year contributed by the taxpayer to a small business
11 asset purchase account during the tax year, plus all
12 interest earned on those accounts during the tax year;
13 as used in this subparagraph (BB), "small business
14 asset purchase account" means an account established
15 by a taxpayer, the proceeds of which are used to
16 purchase property that is used primarily in Illinois
17 and for which a federal income tax deduction is
18 claimed under Section 179 of the Internal Revenue
19 Code.

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

1 (d) Partnerships.

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

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

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

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

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

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

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

1 taxable year under subsection (k) of Section 168 of
2 the Internal Revenue Code;

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

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

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

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

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

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

1 principal purpose the avoidance of Illinois
2 income tax, and is paid pursuant to a contract
3 or agreement that reflects arm's-length terms;
4 or

5 (iii) any item of intangible expense or cost
6 paid, accrued, or incurred, directly or
7 indirectly, from a transaction with a person if
8 the taxpayer establishes by clear and convincing
9 evidence, that the adjustments are unreasonable;
10 or if the taxpayer and the Director agree in
11 writing to the application or use of an
12 alternative method of apportionment under Section
13 304(f);

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

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

1 paid, accrued, or incurred, directly or indirectly, 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. The
8 addition modification required by this subparagraph
9 shall be reduced to the extent that dividends were
10 included in base income of the unitary group for the
11 same taxable year and received by the taxpayer or by a
12 member of the taxpayer's unitary business group
13 (including amounts included in gross income under
14 Sections 951 through 964 of the Internal Revenue Code
15 and amounts included in gross income under Section 78
16 of the Internal Revenue Code) with respect to the
17 stock of the same person to whom the premiums and costs
18 were directly or indirectly paid, incurred, or
19 accrued. The preceding sentence does not apply to the
20 extent that the same dividends caused a reduction to
21 the addition modification required under Section
22 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

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

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

5 (D-12) An amount that is withdrawn by the taxpayer
6 during the taxable year from a small business asset
7 purchase account and that is not used for the purchase
8 of qualified property; as used in this subparagraph
9 (D-12), "qualified property" means property that is
10 used predominantly in Illinois and for which a
11 deduction under Section 179 of the Internal Revenue
12 Code is claimed for the tax year in which the amount is
13 withdrawn from the small business asset purchase
14 account; amounts that are subject to the addition
15 modification under this subparagraph (D-12) are also
16 subject to the 10% penalty for ineligible use under
17 Section 3-3.5 of the Uniform Penalty and Interest Act;

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

20 (E) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (iv) for property on which a bonus
26 depreciation deduction of a percentage other

1 than 30%, 50% or 100% of the adjusted basis
2 was taken in a taxable year ending on or after
3 December 31, 2021, "x" equals "y" multiplied
4 by 100 times the percentage bonus depreciation
5 on the property (that is, $100(\text{bonus}\%)$) and
6 then divided by 100 times 1 minus the
7 percentage bonus depreciation on the property
8 (that is, $100(1-\text{bonus}\%)$).

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

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

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which a
24 subtraction is allowed with respect to that property
25 under subparagraph (O) and for which the taxpayer was
26 required in any taxable year to make an addition

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

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

6 This subparagraph (P) is exempt from the
7 provisions of Section 250;

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

25 (R) An amount equal to the interest income taken
26 into account for the taxable year (net of the

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

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

14 (T) 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(d)(2)(D-9), 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 (T), 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 (T). This
2 subparagraph (T) is exempt from the provisions of
3 Section 250; ~~and~~

4 (U) For taxable years beginning on or after
5 January 1, 2023, for any cannabis establishment
6 operating in this State and licensed under the
7 Cannabis Regulation and Tax Act or any cannabis
8 cultivation center or medical cannabis dispensing
9 organization operating in this State and licensed
10 under the Compassionate Use of Medical Cannabis
11 Program Act, an amount equal to the deductions that
12 were disallowed under Section 280E of the Internal
13 Revenue Code for the taxable year and that would not be
14 added back under this subsection. The provisions of
15 this subparagraph (U) are exempt from the provisions
16 of Section 250; and -

17 (V) For taxable years beginning on or after
18 January 1, 2025, an amount of up to \$50,000 per tax
19 year contributed by the taxpayer to a small business
20 asset purchase account during the tax year, plus all
21 interest earned on those accounts during the tax year;
22 as used in this subparagraph (V), "small business
23 asset purchase account" means an account established
24 by a taxpayer, the proceeds of which are used to
25 purchase property that is used primarily in Illinois
26 and for which a federal income tax deduction is

1 claimed under Section 179 of the Internal Revenue
2 Code.

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

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

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

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

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

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

25 (C) Regulated investment companies. In the case of
26 a regulated investment company subject to the tax

1 imposed by Section 852 of the Internal Revenue Code,
2 investment company taxable income;

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

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

20 (F) Cooperatives. In the case of a cooperative
21 corporation or association, the taxable income of such
22 organization determined in accordance with the
23 provisions of Section 1381 through 1388 of the
24 Internal Revenue Code, but without regard to the
25 prohibition against offsetting losses from patronage
26 activities against income from nonpatronage

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

25 (G) Subchapter S corporations. In the case of: (i)
26 a Subchapter S corporation for which there is in

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

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

23 (3) Recapture of business expenses on disposition of
24 asset or business. Notwithstanding any other law to the
25 contrary, if in prior years income from an asset or
26 business has been classified as business income and in a

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

14 (f) Valuation limitation amount.

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

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

24 (B) The lesser of (i) the sum of the pre-August 1,
25 1969 appreciation amounts (to the extent consisting of

1 capital gain) for all property in respect of which
2 such gain was reported for federal income tax purposes
3 for the taxable year, or (ii) the net capital gain for
4 the taxable year, reduced in either case by any amount
5 of such gain included in the amount determined under
6 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

1 property ending July 31, 1969 bears to the number of
2 full calendar months in the taxpayer's entire holding
3 period for the property.

4 (C) The Department shall prescribe such
5 regulations as may be necessary to carry out the
6 purposes of this paragraph.

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

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

19 (Source: P.A. 102-16, eff. 6-17-21; 102-558, eff. 8-20-21;
20 102-658, eff. 8-27-21; 102-813, eff. 5-13-22; 102-1112, eff.
21 12-21-22; 103-8, eff. 6-7-23; 103-478, eff. 1-1-24; revised
22 9-26-23.)

23 Section 10. The Uniform Penalty and Interest Act is

1 amended by adding Section 3-3.5 as follows:

2 (35 ILCS 735/3-3.5 new)

3 Sec. 3-3.5. Penalty for improper use of proceeds of Small
4 Business Asset Purchase Account. A penalty of 10% of the
5 amount withdrawn from a small business asset purchase account,
6 as defined in Section 203 of the Illinois Income Tax Act,
7 during a tax year that is used for purchases of property for
8 which a deduction under Section 179 of the Internal Revenue
9 Code is not claimed for the tax year in which the amount is
10 withdrawn, or purchases of property for which the deduction
11 under Section 179 of the Internal Revenue Code is claimed that
12 is not used predominantly in Illinois.

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.