

1                                    AMENDMENT TO HOUSE BILL 863

2            AMENDMENT NO. \_\_\_\_\_. Amend House Bill 863 by replacing  
3 everything after the enacting clause with the following:

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

6            (35 ILCS 5/203) (from Ch. 120, par. 2-203)  
7            Sec. 203. Base income defined.

8            (a) Individuals.

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

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

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

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

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

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

22           (D-5) An amount, to the extent not included in  
23 adjusted gross income, equal to the amount of money  
24 withdrawn by the taxpayer in the taxable year from a  
25 medical care savings account and the interest earned  
26 on the account in the taxable year of a withdrawal  
27 pursuant to subsection (b) of Section 20 of the  
28 Medical Care Savings Account Act or subsection (b)  
29 of Section 20 of the Medical Care Savings Account  
30 Act of 2000;

31           (D-10) For taxable years ending after December  
32 31, 1997, an amount equal to any eligible  
33 remediation costs that the individual deducted in  
34 computing adjusted gross income and for which the

1 individual claims a credit under subsection (l) of  
2 Section 201;

3 (D-15) For taxable years ending after December  
4 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
5 bonus depreciation deduction ~~(30%--of--the--adjusted~~  
6 ~~basis--of--the--qualified--property)~~ taken on the  
7 taxpayer's federal income tax return for the taxable  
8 year under subsection (k) of Section 168 of the  
9 Internal Revenue Code with respect to any property  
10 and, for taxable years ending on or after December  
11 31, 2003, an amount equal to any deduction taken for  
12 the taxable year under Section 179 of the Internal  
13 Revenue Code with respect to any property; and

14 (D-16) If the taxpayer reports a capital gain  
15 or loss on the taxpayer's federal income tax return  
16 for the taxable year based on a sale or transfer of  
17 property for which the taxpayer was required in any  
18 taxable year to make an addition modification under  
19 subparagraph (D-15), then an amount equal to the  
20 aggregate amount of the deductions taken in all  
21 taxable years under subparagraph (Z) or (Z-1) with  
22 respect to that property.;

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

26 (D-20) ~~(D-15)~~ For taxable years beginning on  
27 or after January 1, 2002, in the case of a  
28 distribution from a qualified tuition program under  
29 Section 529 of the Internal Revenue Code, other than  
30 (i) a distribution from a College Savings Pool  
31 created under Section 16.5 of the State Treasurer  
32 Act or (ii) a distribution from the Illinois Prepaid  
33 Tuition Trust Fund, an amount equal to the amount  
34 excluded from gross income under Section

1           529(c)(3)(B);

2           and by deducting from the total so obtained the sum of  
3           the following amounts:

4                   (E) For taxable years ending before December  
5                   31, 2001, any amount included in such total in  
6                   respect of any compensation (including but not  
7                   limited to any compensation paid or accrued to a  
8                   serviceman while a prisoner of war or missing in  
9                   action) paid to a resident by reason of being on  
10                   active duty in the Armed Forces of the United States  
11                   and in respect of any compensation paid or accrued  
12                   to a resident who as a governmental employee was a  
13                   prisoner of war or missing in action, and in respect  
14                   of any compensation paid to a resident in 1971 or  
15                   thereafter for annual training performed pursuant to  
16                   Sections 502 and 503, Title 32, United States Code  
17                   as a member of the Illinois National Guard. For  
18                   taxable years ending on or after December 31, 2001,  
19                   any amount included in such total in respect of any  
20                   compensation (including but not limited to any  
21                   compensation paid or accrued to a serviceman while a  
22                   prisoner of war or missing in action) paid to a  
23                   resident by reason of being a member of any  
24                   component of the Armed Forces of the United States  
25                   and in respect of any compensation paid or accrued  
26                   to a resident who as a governmental employee was a  
27                   prisoner of war or missing in action, and in respect  
28                   of any compensation paid to a resident in 2001 or  
29                   thereafter by reason of being a member of the  
30                   Illinois National Guard. The provisions of this  
31                   amendatory Act of the 92nd General Assembly are  
32                   exempt from the provisions of Section 250;

33                   (F) An amount equal to all amounts included in  
34                   such total pursuant to the provisions of Sections

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

10 (G) The valuation limitation amount;

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

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

20 (J) An amount equal to those dividends  
21 included in such total which were paid by a  
22 corporation which conducts business operations in an  
23 Enterprise Zone or zones created under the Illinois  
24 Enterprise Zone Act, and conducts substantially all  
25 of its operations in an Enterprise Zone or zones;

26 (K) An amount equal to those dividends  
27 included in such total that were paid by a  
28 corporation that conducts business operations in a  
29 federally designated Foreign Trade Zone or Sub-Zone  
30 and that is designated a High Impact Business  
31 located in Illinois; provided that dividends  
32 eligible for the deduction provided in subparagraph  
33 (J) of paragraph (2) of this subsection shall not be  
34 eligible for the deduction provided under this

1           subparagraph (K);

2           (L) For taxable years ending after December  
3           31, 1983, an amount equal to all social security  
4           benefits and railroad retirement benefits included  
5           in such total pursuant to Sections 72(r) and 86 of  
6           the Internal Revenue Code;

7           (M) With the exception of any amounts  
8           subtracted under subparagraph (N), an amount equal  
9           to the sum of all amounts disallowed as deductions  
10          by (i) Sections 171(a) (2), and 265(2) of the  
11          Internal Revenue Code of 1954, as now or hereafter  
12          amended, and all amounts of expenses allocable to  
13          interest and disallowed as deductions by Section  
14          265(1) of the Internal Revenue Code of 1954, as now  
15          or hereafter amended; and (ii) for taxable years  
16          ending on or after August 13, 1999, Sections  
17          171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
18          Internal Revenue Code; the provisions of this  
19          subparagraph are exempt from the provisions of  
20          Section 250;

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

31          (O) An amount equal to any contribution made  
32          to a job training project established pursuant to  
33          the Tax Increment Allocation Redevelopment Act;

34          (P) An amount equal to the amount of the

1 deduction used to compute the federal income tax  
2 credit for restoration of substantial amounts held  
3 under claim of right for the taxable year pursuant  
4 to Section 1341 of the Internal Revenue Code of  
5 1986;

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

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

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

23 (T) An amount, to the extent included in  
24 adjusted gross income, equal to the amount of  
25 interest earned in the taxable year on a medical  
26 care savings account established under the Medical  
27 Care Savings Account Act or the Medical Care Savings  
28 Account Act of 2000 on behalf of the taxpayer, other  
29 than interest added pursuant to item (D-5) of this  
30 paragraph (2);

31 (U) For one taxable year beginning on or after  
32 January 1, 1994, an amount equal to the total amount  
33 of tax imposed and paid under subsections (a) and  
34 (b) of Section 201 of this Act on grant amounts

1 received by the taxpayer under the Nursing Home  
2 Grant Assistance Act during the taxpayer's taxable  
3 years 1992 and 1993;

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

33 (W) For taxable years beginning on or after  
34 January 1, 1998, all amounts included in the



1 taxpayer's federal gross income in the taxable year  
2 from amounts converted from a regular IRA to a Roth  
3 IRA. This paragraph is exempt from the provisions of  
4 Section 250;

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

1 benefit, or similar entitlement is not affected by  
2 the inclusion of items (i) and (ii) of this  
3 paragraph in gross income for federal income tax  
4 purposes. This paragraph is exempt from the  
5 provisions of Section 250;

6 (Y) For taxable years beginning on or after  
7 January 1, 2002, moneys contributed in the taxable  
8 year to a College Savings Pool account under Section  
9 16.5 of the State Treasurer Act, except that amounts  
10 excluded from gross income under Section  
11 529(c)(3)(C)(i) of the Internal Revenue Code shall  
12 not be considered moneys contributed under this  
13 subparagraph (Y). This subparagraph (Y) is exempt  
14 from the provisions of Section 250;

15 (Z) For each taxable~~---years---2001---and~~  
16 ~~thereafter,~~ for the taxable year ending prior to  
17 December 31, 2003 in which the bonus depreciation  
18 deduction ~~(30%--of--the--adjusted--basis---of---the~~  
19 ~~qualified--property)~~ is taken on the taxpayer's  
20 federal income tax return under subsection (k) of  
21 Section 168 of the Internal Revenue Code and for  
22 each subsequent ~~applicable~~ taxable year ending prior  
23 to December 31, 2003 thereafter, an amount equal to  
24 "x", where:

25 (1) "y" equals the amount of the  
26 depreciation deduction taken for the taxable  
27 year on the taxpayer's federal income tax  
28 return on property for which the bonus  
29 depreciation deduction ~~(30%--of--the--adjusted~~  
30 ~~basis--of--the--qualified--property)~~ was taken in  
31 any year under subsection (k) of Section 168 of  
32 the Internal Revenue Code, but not including  
33 the bonus depreciation deduction; and

34 (2) "x" equals "y" multiplied by 30 and

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

3 The aggregate amount deducted under this  
4 subparagraph in all taxable years for any one piece  
5 of property may not exceed the amount of the bonus  
6 depreciation deduction ~~(30% of the adjusted basis of~~  
7 ~~the qualified property)~~ taken on that property on  
8 the taxpayer's federal income tax return under  
9 subsection (k) of Section 168 of the Internal  
10 Revenue Code; and

11 (Z-1) For taxable years ending on or after  
12 December 31, 2003, an amount equal to the excess, if  
13 any, of the federal adjusted gross income properly  
14 reportable by the taxpayer for the taxable year,  
15 plus any addition required to be made under  
16 subparagraph (D-15) for the taxable year, over the  
17 adjusted gross income that would have been  
18 reportable by the taxpayer if the taxpayer:

19 (1) had made the election in subsection  
20 (k)(2)(C)(iii) of Section 168 of the Internal  
21 Revenue Code for all property for all taxable  
22 years; and

23 (2) had made no election under Section  
24 179(a) of the Internal Revenue Code for any  
25 taxable year ending on or after December 31,  
26 2003 to treat the cost of any property as an  
27 expense.

28 This subparagraph (Z-1) is exempt from the  
29 provisions of Section 250;

30 (AA) If the taxpayer reports a capital gain or  
31 loss on the taxpayer's federal income tax return for  
32 the taxable year based on a sale or transfer of  
33 property for which the taxpayer was required in any  
34 taxable year to make an addition modification under

1           subparagraph (D-15), then an amount equal to that  
2           addition modification.

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

6           (BB) ~~(Z)~~ Any amount included in adjusted gross  
7           income, other than salary, received by a driver in a  
8           ridesharing arrangement using a motor vehicle.

9           (b) Corporations.

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

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

16           (A) An amount equal to all amounts paid or  
17           accrued to the taxpayer as interest and all  
18           distributions received from regulated investment  
19           companies during the taxable year to the extent  
20           excluded from gross income in the computation of  
21           taxable income;

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

26           (C) In the case of a regulated investment  
27           company, an amount equal to the excess of (i) the  
28           net long-term capital gain for the taxable year,  
29           over (ii) the amount of the capital gain dividends  
30           designated as such in accordance with Section  
31           852(b)(3)(C) of the Internal Revenue Code and any  
32           amount designated under Section 852(b)(3)(D) of the  
33           Internal Revenue Code, attributable to the taxable  
34           year (this amendatory Act of 1995 (Public Act 89-89)

1 is declarative of existing law and is not a new  
2 enactment);

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

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

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

26 (ii) the addition modification relating  
27 to the net operating loss carried back or  
28 forward to the taxable year from any taxable  
29 year ending prior to December 31, 1986 shall  
30 not exceed the amount of such carryback or  
31 carryforward;

32 For taxable years in which there is a net  
33 operating loss carryback or carryforward from more  
34 than one other taxable year ending prior to December

1 31, 1986, the addition modification provided in this  
2 subparagraph (E) shall be the sum of the amounts  
3 computed independently under the preceding  
4 provisions of this subparagraph (E) for each such  
5 taxable year;

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

12 (E-10) For taxable years ending after December  
13 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
14 bonus depreciation deduction ~~{30%-of-the-adjusted~~  
15 ~~basis--of--the--qualified--property}~~ taken on the  
16 taxpayer's federal income tax return for the taxable  
17 year under subsection (k) of Section 168 of the  
18 Internal Revenue Code with respect to any property  
19 and, for taxable years ending on or after December  
20 31, 2003, an amount equal to any deduction taken for  
21 the taxable year under Section 179 of the Internal  
22 Revenue Code with respect to any property; and

23 (E-11) If the taxpayer reports a capital gain  
24 or loss on the taxpayer's federal income tax return  
25 for the taxable year based on a sale or transfer of  
26 property for which the taxpayer was required in any  
27 taxable year to make an addition modification under  
28 subparagraph (E-10), then an amount equal to the  
29 aggregate amount of the deductions taken in all  
30 taxable years under subparagraph (T) or (T-1) with  
31 respect to that property.;

32 The taxpayer is required to make the addition  
33 modification under this subparagraph only once with  
34 respect to any one piece of property;

1 and by deducting from the total so obtained the sum of  
2 the following amounts:

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

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

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

15 (I) With the exception of any amounts  
16 subtracted under subparagraph (J), an amount equal  
17 to the sum of all amounts disallowed as deductions  
18 by (i) Sections 171(a) (2), and 265(a)(2) and  
19 amounts disallowed as interest expense by Section  
20 291(a)(3) of the Internal Revenue Code, as now or  
21 hereafter amended, and all amounts of expenses  
22 allocable to interest and disallowed as deductions  
23 by Section 265(a)(1) of the Internal Revenue Code,  
24 as now or hereafter amended; and (ii) for taxable  
25 years ending on or after August 13, 1999, Sections  
26 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
27 of the Internal Revenue Code; the provisions of this  
28 subparagraph are exempt from the provisions of  
29 Section 250;

30 (J) An amount equal to all amounts included in  
31 such total which are exempt from taxation by this  
32 State either by reason of its statutes or  
33 Constitution or by reason of the Constitution,  
34 treaties or statutes of the United States; provided

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

6 (K) An amount equal to those dividends  
7 included in such total which were paid by a  
8 corporation which conducts business operations in an  
9 Enterprise Zone or zones created under the Illinois  
10 Enterprise Zone Act and conducts substantially all  
11 of its operations in an Enterprise Zone or zones;

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

22 (M) For any taxpayer that is a financial  
23 organization within the meaning of Section 304(c) of  
24 this Act, an amount included in such total as  
25 interest income from a loan or loans made by such  
26 taxpayer to a borrower, to the extent that such a  
27 loan is secured by property which is eligible for  
28 the Enterprise Zone Investment Credit. To determine  
29 the portion of a loan or loans that is secured by  
30 property eligible for a Section 201(f) investment  
31 credit to the borrower, the entire principal amount  
32 of the loan or loans between the taxpayer and the  
33 borrower should be divided into the basis of the  
34 Section 201(f) investment credit property which



1           secures the loan or loans, using for this purpose  
2           the original basis of such property on the date that  
3           it was placed in service in the Enterprise Zone.  
4           The subtraction modification available to taxpayer  
5           in any year under this subsection shall be that  
6           portion of the total interest paid by the borrower  
7           with respect to such loan attributable to the  
8           eligible property as calculated under the previous  
9           sentence;

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

1 the eligible property as calculated under the  
2 previous sentence;

3 (N) Two times any contribution made during the  
4 taxable year to a designated zone organization to  
5 the extent that the contribution (i) qualifies as a  
6 charitable contribution under subsection (c) of  
7 Section 170 of the Internal Revenue Code and (ii)  
8 must, by its terms, be used for a project approved  
9 by the Department of Commerce and Economic  
10 Opportunity Community--Affairs under Section 11 of  
11 the Illinois Enterprise Zone Act;

12 (O) An amount equal to: (i) 85% for taxable  
13 years ending on or before December 31, 1992, or, a  
14 percentage equal to the percentage allowable under  
15 Section 243(a)(1) of the Internal Revenue Code of  
16 1986 for taxable years ending after December 31,  
17 1992, of the amount by which dividends included in  
18 taxable income and received from a corporation that  
19 is not created or organized under the laws of the  
20 United States or any state or political subdivision  
21 thereof, including, for taxable years ending on or  
22 after December 31, 1988, dividends received or  
23 deemed received or paid or deemed paid under  
24 Sections 951 through 964 of the Internal Revenue  
25 Code, exceed the amount of the modification provided  
26 under subparagraph (G) of paragraph (2) of this  
27 subsection (b) which is related to such dividends;  
28 plus (ii) 100% of the amount by which dividends,  
29 included in taxable income and received, including,  
30 for taxable years ending on or after December 31,  
31 1988, dividends received or deemed received or paid  
32 or deemed paid under Sections 951 through 964 of the  
33 Internal Revenue Code, from any such corporation  
34 specified in clause (i) that would but for the

1 provisions of Section 1504 (b) (3) of the Internal  
2 Revenue Code be treated as a member of the  
3 affiliated group which includes the dividend  
4 recipient, exceed the amount of the modification  
5 provided under subparagraph (G) of paragraph (2) of  
6 this subsection (b) which is related to such  
7 dividends;

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

11 (Q) An amount equal to the amount of the  
12 deduction used to compute the federal income tax  
13 credit for restoration of substantial amounts held  
14 under claim of right for the taxable year pursuant  
15 to Section 1341 of the Internal Revenue Code of  
16 1986;

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

28 (S) For taxable years ending on or after  
29 December 31, 1997, in the case of a Subchapter S  
30 corporation, an amount equal to all amounts of  
31 income allocable to a shareholder subject to the  
32 Personal Property Tax Replacement Income Tax imposed  
33 by subsections (c) and (d) of Section 201 of this  
34 Act, including amounts allocable to organizations

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

5 (T) For each taxable~~---years---2001---and~~  
 6 ~~thereafter,~~ for the taxable year ending prior to  
 7 December 31, 2003 in which the bonus depreciation  
 8 deduction ~~(30%--of--the--adjusted--basis---of---the~~  
 9 ~~qualified--property)~~ is taken on the taxpayer's  
 10 federal income tax return under subsection (k) of  
 11 Section 168 of the Internal Revenue Code and for  
 12 each subsequent ~~applicable~~ taxable year ending prior  
 13 to December 31, 2003 thereafter, an amount equal to  
 14 "x", where:

15 (1) "y" equals the amount of the  
 16 depreciation deduction taken for the taxable  
 17 year on the taxpayer's federal income tax  
 18 return on property for which the bonus  
 19 depreciation deduction ~~(30%--of--the--adjusted~~  
 20 ~~basis--of--the--qualified--property)~~ was taken in  
 21 any year under subsection (k) of Section 168 of  
 22 the Internal Revenue Code, but not including  
 23 the bonus depreciation deduction; and

24 (2) "x" equals "y" multiplied by 30 and  
 25 then divided by 70 (or "y" multiplied by  
 26 0.429).

27 The aggregate amount deducted under this  
 28 subparagraph in all taxable years for any one piece  
 29 of property may not exceed the amount of the bonus  
 30 depreciation deduction ~~(30%--of--the--adjusted--basis--of~~  
 31 ~~the--qualified--property)~~ taken on that property on  
 32 the taxpayer's federal income tax return under  
 33 subsection (k) of Section 168 of the Internal  
 34 Revenue Code;

1           (T-1) For taxable years ending on or after  
2           December 31, 2003, an amount equal to the excess, if  
3           any, of the federal taxable income properly  
4           reportable by the taxpayer for the taxable year,  
5           plus any addition required to be made under  
6           subparagraph (E-10) for the taxable year, over the  
7           taxable income that would have been reportable by  
8           the taxpayer if the taxpayer:

9                   (1) had made the election in subsection  
10                   (k)(2)(C)(iii) of Section 168 of the Internal  
11                   Revenue Code for all property for all taxable  
12                   years; and

13                   (2) had made no election under Section  
14                   179(a) of the Internal Revenue Code for any  
15                   taxable year ending on or after December 31,  
16                   2003 to treat the cost of any property as an  
17                   expense.

18           This subparagraph (T-1) is exempt from the  
19           provisions of Section 250; and

20                   (U) If the taxpayer reports a capital gain or  
21                   loss on the taxpayer's federal income tax return for  
22                   the taxable year based on a sale or transfer of  
23                   property for which the taxpayer was required in any  
24                   taxable year to make an addition modification under  
25                   subparagraph (E-10), then an amount equal to that  
26                   addition modification.

27                   The taxpayer is allowed to take the deduction  
28                   under this subparagraph only once with respect to  
29                   any one piece of property.

30                   (3) Special rule. For purposes of paragraph (2)  
31                   (A), "gross income" in the case of a life insurance  
32                   company, for tax years ending on and after December 31,  
33                   1994, shall mean the gross investment income for the  
34                   taxable year.

1 (c) Trusts and estates.

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

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

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

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

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

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

28 (E) For taxable years in which a net operating  
29 loss carryback or carryforward from a taxable year  
30 ending prior to December 31, 1986 is an element of  
31 taxable income under paragraph (1) of subsection (e)  
32 or subparagraph (E) of paragraph (2) of subsection  
33 (e), the amount by which addition modifications  
34 other than those provided by this subparagraph (E)

1 exceeded subtraction modifications in such taxable  
2 year, with the following limitations applied in the  
3 order that they are listed:

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

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

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

27 (F) For taxable years ending on or after  
28 January 1, 1989, an amount equal to the tax deducted  
29 pursuant to Section 164 of the Internal Revenue Code  
30 if the trust or estate is claiming the same tax for  
31 purposes of the Illinois foreign tax credit under  
32 Section 601 of this Act;

33 (G) An amount equal to the amount of the  
34 capital gain deduction allowable under the Internal

1 Revenue Code, to the extent deducted from gross  
2 income in the computation of taxable income;

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

9 (G-10) For taxable years ending after December  
10 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
11 bonus depreciation deduction (30%--of--the--adjusted  
12 ~~basis--of--the--qualified--property~~) taken on the  
13 taxpayer's federal income tax return for the taxable  
14 year under subsection (k) of Section 168 of the  
15 Internal Revenue Code with respect to any property  
16 and, for taxable years ending on or after December  
17 31, 2003, an amount equal to any deduction taken for  
18 the taxable year under Section 179 of the Internal  
19 Revenue Code with respect to any property; and

20 (G-11) If the taxpayer reports a capital gain  
21 or loss on the taxpayer's federal income tax return  
22 for the taxable year based on a sale or transfer of  
23 property for which the taxpayer was required in any  
24 taxable year to make an addition modification under  
25 subparagraph (G-10), then an amount equal to the  
26 aggregate amount of the deductions taken in all  
27 taxable years under subparagraph (R) or (R-1) with  
28 respect to that property.;

29 The taxpayer is required to make the addition  
30 modification under this subparagraph only once with  
31 respect to any one piece of property;

32 and by deducting from the total so obtained the sum of  
33 the following amounts:

34 (H) An amount equal to all amounts included in



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

11 (I) The valuation limitation amount;

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

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

27 (L) With the exception of any amounts  
28 subtracted under subparagraph (K), an amount equal  
29 to the sum of all amounts disallowed as deductions  
30 by (i) Sections 171(a) (2) and 265(a)(2) of the  
31 Internal Revenue Code, as now or hereafter amended,  
32 and all amounts of expenses allocable to interest  
33 and disallowed as deductions by Section 265(1) of  
34 the Internal Revenue Code of 1954, as now or

1 hereafter amended; and (ii) for taxable years ending  
2 on or after August 13, 1999, Sections 171(a)(2),  
3 265, 280C, and 832(b)(5)(B)(i) of the Internal  
4 Revenue Code; the provisions of this subparagraph  
5 are exempt from the provisions of Section 250;

6 (M) An amount equal to those dividends  
7 included in such total which were paid by a  
8 corporation which conducts business operations in an  
9 Enterprise Zone or zones created under the Illinois  
10 Enterprise Zone Act and conducts substantially all  
11 of its operations in an Enterprise Zone or Zones;

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

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

25 (P) An amount equal to the amount of the  
26 deduction used to compute the federal income tax  
27 credit for restoration of substantial amounts held  
28 under claim of right for the taxable year pursuant  
29 to Section 1341 of the Internal Revenue Code of  
30 1986;

31 (Q) For taxable year 1999 and thereafter, an  
32 amount equal to the amount of any (i) distributions,  
33 to the extent includible in gross income for federal  
34 income tax purposes, made to the taxpayer because of

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

32 (R) For each taxable~~---years---~~2001~~----~~and  
33 thereafter~~7--for--the~~ taxable year ending prior to  
34 December 31, 2003 in which the bonus depreciation

1 deduction ~~{30%--of--the--adjusted--basis--of--the~~  
 2 ~~qualified--property}~~ is taken on the taxpayer's  
 3 federal income tax return under subsection (k) of  
 4 Section 168 of the Internal Revenue Code and for  
 5 each subsequent applicable taxable year ending prior  
 6 to December 31, 2003 thereafter, an amount equal to  
 7 "x", where:

8 (1) "y" equals the amount of the  
 9 depreciation deduction taken for the taxable  
 10 year on the taxpayer's federal income tax  
 11 return on property for which the bonus  
 12 depreciation deduction ~~{30%--of--the--adjusted~~  
 13 ~~basis--of--the-qualified-property}~~ was taken in  
 14 any year under subsection (k) of Section 168 of  
 15 the Internal Revenue Code, but not including  
 16 the bonus depreciation deduction; and

17 (2) "x" equals "y" multiplied by 30 and  
 18 then divided by 70 (or "y" multiplied by  
 19 0.429).

20 The aggregate amount deducted under this  
 21 subparagraph in all taxable years for any one piece  
 22 of property may not exceed the amount of the bonus  
 23 depreciation deduction ~~{30%-of-the-adjusted-basis-of~~  
 24 ~~the--qualified--property}~~ taken on that property on  
 25 the taxpayer's federal income tax return under  
 26 subsection (k) of Section 168 of the Internal  
 27 Revenue Code;

28 (R-1) For taxable years ending on or after  
 29 December 31, 2003, an amount equal to the excess, if  
 30 any, of the federal taxable income properly  
 31 reportable by the taxpayer for the taxable year,  
 32 plus any addition required to be made under  
 33 subparagraph (G-10) for the taxable year, over the  
 34 taxable income that would have been reportable by

1 the taxpayer if the taxpayer:

2 (1) had made the election in subsection  
3 (k)(2)(C)(iii) of Section 168 of the Internal  
4 Revenue Code for all property for all taxable  
5 years; and

6 (2) had made no election under Section  
7 179(a) of the Internal Revenue Code for any  
8 taxable year ending on or after December 31,  
9 2003 to treat the cost of any property as an  
10 expense.

11 This subparagraph (R-1) is exempt from the  
12 provisions of Section 250; and

13 (S) If the taxpayer reports a capital gain or  
14 loss on the taxpayer's federal income tax return for  
15 the taxable year based on a sale or transfer of  
16 property for which the taxpayer was required in any  
17 taxable year to make an addition modification under  
18 subparagraph (G-10), then an amount equal to that  
19 addition modification.

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

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

30 (d) Partnerships.

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

34 (2) Modifications. The taxable income referred to

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

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

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

10 (C) The amount of deductions allowed to the  
11 partnership pursuant to Section 707 (c) of the  
12 Internal Revenue Code in calculating its taxable  
13 income;

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

18 (D-5) For taxable years ending after December  
19 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
20 bonus depreciation deduction ~~{30%-of-the-adjusted~~  
21 ~~basis--of--the--qualified--property}~~ taken on the  
22 taxpayer's federal income tax return for the taxable  
23 year under subsection (k) of Section 168 of the  
24 Internal Revenue Code with respect to any property  
25 and, for taxable years ending on or after December  
26 31, 2003, an amount equal to any deduction taken for  
27 the taxable year under Section 179 of the Internal  
28 Revenue Code with respect to any property; and

29 (D-6) If the taxpayer reports a capital gain  
30 or loss on the taxpayer's federal income tax return  
31 for the taxable year based on a sale or transfer of  
32 property for which the taxpayer was required in any  
33 taxable year to make an addition modification under  
34 subparagraph (D-5), then an amount equal to the

1 aggregate amount of the deductions taken in all  
2 taxable years under subparagraph (O) or (O-1) with  
3 respect to that property.;

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

7 and by deducting from the total so obtained the following  
8 amounts:

9 (E) The valuation limitation amount;

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

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

25 (H) Any income of the partnership which  
26 constitutes personal service income as defined in  
27 Section 1348 (b) (1) of the Internal Revenue Code  
28 (as in effect December 31, 1981) or a reasonable  
29 allowance for compensation paid or accrued for  
30 services rendered by partners to the partnership,  
31 whichever is greater;

32 (I) An amount equal to all amounts of income  
33 distributable to an entity subject to the Personal  
34 Property Tax Replacement Income Tax imposed by

1 subsections (c) and (d) of Section 201 of this Act  
2 including amounts distributable to organizations  
3 exempt from federal income tax by reason of Section  
4 501(a) of the Internal Revenue Code;

5 (J) With the exception of any amounts  
6 subtracted under subparagraph (G), an amount equal  
7 to the sum of all amounts disallowed as deductions  
8 by (i) Sections 171(a) (2), and 265(2) of the  
9 Internal Revenue Code of 1954, as now or hereafter  
10 amended, and all amounts of expenses allocable to  
11 interest and disallowed as deductions by Section  
12 265(1) of the Internal Revenue Code, as now or  
13 hereafter amended; and (ii) for taxable years ending  
14 on or after August 13, 1999, Sections 171(a)(2),  
15 265, 280C, and 832(b)(5)(B)(i) of the Internal  
16 Revenue Code; the provisions of this subparagraph  
17 are exempt from the provisions of Section 250;

18 (K) An amount equal to those dividends  
19 included in such total which were paid by a  
20 corporation which conducts business operations in an  
21 Enterprise Zone or zones created under the Illinois  
22 Enterprise Zone Act, enacted by the 82nd General  
23 Assembly, and conducts substantially all of its  
24 operations in an Enterprise Zone or Zones;

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

29 (M) An amount equal to those dividends  
30 included in such total that were paid by a  
31 corporation that conducts business operations in a  
32 federally designated Foreign Trade Zone or Sub-Zone  
33 and that is designated a High Impact Business  
34 located in Illinois; provided that dividends



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

5 (N) An amount equal to the amount of the  
 6 deduction used to compute the federal income tax  
 7 credit for restoration of substantial amounts held  
 8 under claim of right for the taxable year pursuant  
 9 to Section 1341 of the Internal Revenue Code of  
 10 1986;

11 (O) For each taxable~~---years---~~2001~~---and~~  
 12 ~~thereafter,~~ for the taxable year ending prior to  
 13 December 31, 2003 in which the bonus depreciation  
 14 deduction ~~(30%--of--the--adjusted--basis---of---the~~  
 15 ~~qualified--property)~~ is taken on the taxpayer's  
 16 federal income tax return under subsection (k) of  
 17 Section 168 of the Internal Revenue Code and for  
 18 each subsequent ~~applicable~~ taxable year ending prior  
 19 to December 31, 2003 thereafter, an amount equal to  
 20 "x", where:

21 (1) "y" equals the amount of the  
 22 depreciation deduction taken for the taxable  
 23 year on the taxpayer's federal income tax  
 24 return on property for which the bonus  
 25 depreciation deduction ~~(30%--of--the--adjusted~~  
 26 ~~basis--of--the--qualified--property)~~ was taken in  
 27 any year under subsection (k) of Section 168 of  
 28 the Internal Revenue Code, but not including  
 29 the bonus depreciation deduction; and

30 (2) "x" equals "y" multiplied by 30 and  
 31 then divided by 70 (or "y" multiplied by  
 32 0.429).

33 The aggregate amount deducted under this  
 34 subparagraph in all taxable years for any one piece

1 of property may not exceed the amount of the bonus  
2 depreciation deduction ~~(30% of the adjusted basis of~~  
3 ~~the qualified property)~~ taken on that property on  
4 the taxpayer's federal income tax return under  
5 subsection (k) of Section 168 of the Internal  
6 Revenue Code;

7 (O-1) For taxable years ending on or after  
8 December 31, 2003, an amount equal to the excess, if  
9 any, of the federal taxable income properly  
10 reportable by the taxpayer for the taxable year,  
11 plus any addition required to be made under  
12 subparagraph (D-5) for the taxable year, over the  
13 taxable income that would have been reportable by  
14 the taxpayer if the taxpayer:

15 (1) had made the election in subsection  
16 (k)(2)(C)(iii) of Section 168 of the Internal  
17 Revenue Code for all property for all taxable  
18 years; and

19 (2) had made no election under Section  
20 179(a) of the Internal Revenue Code for any  
21 taxable year ending on or after December 31,  
22 2003 to treat the cost of any property as an  
23 expense.

24 This subparagraph (O-1) is exempt from the  
25 provisions of Section 250; and

26 (P) If the taxpayer reports a capital gain or  
27 loss on the taxpayer's federal income tax return for  
28 the taxable year based on a sale or transfer of  
29 property for which the taxpayer was required in any  
30 taxable year to make an addition modification under  
31 subparagraph (D-5), then an amount equal to that  
32 addition modification.

33 The taxpayer is allowed to take the deduction  
34 under this subparagraph only once with respect to

1           any one piece of property.

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

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

1 the Internal Revenue Code.

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

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

12 (B) Certain other insurance companies. In the  
13 case of mutual insurance companies subject to the  
14 tax imposed by Section 831 of the Internal Revenue  
15 Code, insurance company taxable income;

16 (C) Regulated investment companies. In the  
17 case of a regulated investment company subject to  
18 the tax imposed by Section 852 of the Internal  
19 Revenue Code, investment company taxable income;

20 (D) Real estate investment trusts. In the  
21 case of a real estate investment trust subject to  
22 the tax imposed by Section 857 of the Internal  
23 Revenue Code, real estate investment trust taxable  
24 income;

25 (E) Consolidated corporations. In the case of  
26 a corporation which is a member of an affiliated  
27 group of corporations filing a consolidated income  
28 tax return for the taxable year for federal income  
29 tax purposes, taxable income determined as if such  
30 corporation had filed a separate return for federal  
31 income tax purposes for the taxable year and each  
32 preceding taxable year for which it was a member of  
33 an affiliated group. For purposes of this  
34 subparagraph, the taxpayer's separate taxable income

1 shall be determined as if the election provided by  
2 Section 243(b) (2) of the Internal Revenue Code had  
3 been in effect for all such years;

4 (F) Cooperatives. In the case of a  
5 cooperative corporation or association, the taxable  
6 income of such organization determined in accordance  
7 with the provisions of Section 1381 through 1388 of  
8 the Internal Revenue Code;

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

27 (H) Partnerships. In the case of a  
28 partnership, taxable income determined in accordance  
29 with Section 703 of the Internal Revenue Code,  
30 except that taxable income shall take into account  
31 those items which are required by Section 703(a)(1)  
32 to be separately stated but which would be taken  
33 into account by an individual in calculating his  
34 taxable income.

1 (f) Valuation limitation amount.

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

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

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

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

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

32 (B) If the fair market value of property  
33 referred to in paragraph (1) was not readily  
34 ascertainable on August 1, 1969, the pre-August 1,

1 1969 appreciation amount for such property is that  
2 amount which bears the same ratio to the total gain  
3 reported in respect of the property for federal  
4 income tax purposes for the taxable year, as the  
5 number of full calendar months in that part of the  
6 taxpayer's holding period for the property ending  
7 July 31, 1969 bears to the number of full calendar  
8 months in the taxpayer's entire holding period for  
9 the property.

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

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

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

25 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
26 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
27 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
28 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
29 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
30 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

31 Section 99. Effective date. This Act takes effect upon  
32 becoming law."