

1 AN ACT relating to education.

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

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

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

8 (a) Individuals.

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

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

27 (C) An amount equal to the amount received
28 during the taxable year as a recovery or refund of
29 real property taxes paid with respect to the
30 taxpayer's principal residence under the Revenue Act
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)
2 prior to July 1, 1991, the retrospective application
3 date of Article 4 of Public Act 87-17. In the case
4 of multi-unit or multi-use structures and farm
5 dwellings, the taxes on the taxpayer's principal
6 residence shall be that portion of the total taxes
7 for the entire property which is attributable to
8 such principal residence;

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

13 (D-5) An amount, to the extent not included in
14 adjusted gross income, equal to the amount of money
15 withdrawn by the taxpayer in the taxable year from a
16 medical care savings account and the interest earned
17 on the account in the taxable year of a withdrawal
18 pursuant to subsection (b) of Section 20 of the
19 Medical Care Savings Account Act or subsection (b)
20 of Section 20 of the Medical Care Savings Account
21 Act of 2000;

22 (D-10) For taxable years ending after December
23 31, 1997, an amount equal to any eligible
24 remediation costs that the individual deducted in
25 computing adjusted gross income and for which the
26 individual claims a credit under subsection (l) of
27 Section 201;

28 (D-15) For taxable years 2001 and thereafter,
29 an amount equal to the bonus depreciation deduction
30 (30% of the adjusted basis of the qualified
31 property) taken on the taxpayer's federal income tax
32 return for the taxable year under subsection (k) of
33 Section 168 of the Internal Revenue Code; and

34 (D-16) If the taxpayer reports a capital gain

1 or loss on the taxpayer's federal income tax return
2 for the taxable year based on a sale or transfer of
3 property for which the taxpayer was required in any
4 taxable year to make an addition modification under
5 subparagraph (D-15), then an amount equal to the
6 aggregate amount of the deductions taken in all
7 taxable years under subparagraph (Z) with respect to
8 that property.†

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

12 (D-20) ~~(D-15)~~ For taxable years beginning on
13 or after January 1, 2002, in the case of a
14 distribution from a qualified tuition program under
15 Section 529 of the Internal Revenue Code, other than
16 (i) a distribution from a College Savings Pool
17 created under Section 16.5 of the State Treasurer
18 Act or (ii) a distribution from the Illinois Prepaid
19 Tuition Trust Fund, an amount equal to the amount
20 excluded from gross income under Section
21 529(c)(3)(B);

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

24 (E) For taxable years ending before December
25 31, 2001, any amount included in such total in
26 respect of any compensation (including but not
27 limited to any compensation paid or accrued to a
28 serviceman while a prisoner of war or missing in
29 action) paid to a resident by reason of being on
30 active duty in the Armed Forces of the United States
31 and in respect of any compensation paid or accrued
32 to a resident who as a governmental employee was a
33 prisoner of war or missing in action, and in respect
34 of any compensation paid to a resident in 1971 or

1 thereafter for annual training performed pursuant to
2 Sections 502 and 503, Title 32, United States Code
3 as a member of the Illinois National Guard. For
4 taxable years ending on or after December 31, 2001,
5 any amount included in such total in respect of any
6 compensation (including but not limited to any
7 compensation paid or accrued to a serviceman while a
8 prisoner of war or missing in action) paid to a
9 resident by reason of being a member of any
10 component of 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 2001 or
15 thereafter by reason of being a member of the
16 Illinois National Guard. The provisions of this
17 amendatory Act of the 92nd General Assembly are
18 exempt from the provisions of Section 250;

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

30 (G) The valuation limitation amount;

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

1 (I) An amount equal to all amounts included in
2 such total pursuant to the provisions of Section 111
3 of the Internal Revenue Code as a recovery of items
4 previously deducted from adjusted gross income in
5 the computation of taxable income;

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

22 (L) For taxable years ending after December
23 31, 1983, an amount equal to all social security
24 benefits and railroad retirement benefits included
25 in such total pursuant to Sections 72(r) and 86 of
26 the Internal Revenue Code;

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

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

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

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

20 (P) An amount equal to the amount of the
21 deduction used to compute the federal income tax
22 credit for restoration of substantial amounts held
23 under claim of right for the taxable year pursuant
24 to Section 1341 of the Internal Revenue Code of
25 1986;

26 (Q) An amount equal to any amounts included in
27 such total, received by the taxpayer as an
28 acceleration in the payment of life, endowment or
29 annuity benefits in advance of the time they would
30 otherwise be payable as an indemnity for a terminal
31 illness;

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

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

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

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

24 (V) Beginning with tax years ending on or
25 after December 31, 1995 and ending with tax years
26 ending on or before December 31, 2004, an amount
27 equal to the amount paid by a taxpayer who is a
28 self-employed taxpayer, a partner of a partnership,
29 or a shareholder in a Subchapter S corporation for
30 health insurance or long-term care insurance for
31 that taxpayer or that taxpayer's spouse or
32 dependents, to the extent that the amount paid for
33 that health insurance or long-term care insurance
34 may be deducted under Section 213 of the Internal

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

19 (W) For taxable years beginning on or after
20 January 1, 1998, all amounts included in the
21 taxpayer's federal gross income in the taxable year
22 from amounts converted from a regular IRA to a Roth
23 IRA. This paragraph is exempt from the provisions of
24 Section 250;

25 (X) For taxable year 1999 and thereafter, an
26 amount equal to the amount of any (i) distributions,
27 to the extent includible in gross income for federal
28 income tax purposes, made to the taxpayer because of
29 his or her status as a victim of persecution for
30 racial or religious reasons by Nazi Germany or any
31 other Axis regime or as an heir of the victim and
32 (ii) items of income, to the extent includible in
33 gross income for federal income tax purposes,
34 attributable to, derived from or in any way related

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

26 (Y) For taxable years beginning on or after
27 January 1, 2002, moneys contributed in the taxable
28 year to a College Savings Pool account under Section
29 16.5 of the State Treasurer Act, except that amounts
30 excluded from gross income under Section
31 529(c)(3)(C)(i) of the Internal Revenue Code shall
32 not be considered moneys contributed under this
33 subparagraph (Y). This subparagraph (Y) is exempt
34 from the provisions of Section 250;

1 (Z) For taxable years 2001 and thereafter, for
2 the taxable year in which the bonus depreciation
3 deduction (30% of the adjusted basis of the
4 qualified property) is taken on the taxpayer's
5 federal income tax return under subsection (k) of
6 Section 168 of the Internal Revenue Code and for
7 each applicable taxable year thereafter, an amount
8 equal to "x", where:

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

18 (2) "x" equals "y" multiplied by 30 and
19 then divided by 70 (or "y" multiplied by
20 0.429).

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

29 (AA) If the taxpayer reports a capital gain or
30 loss on the taxpayer's federal income tax return for
31 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-15), then an amount equal to that

1 addition modification.

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

5 (BB) †Z‡ Any amount included in adjusted gross
6 income, other than salary, received by a driver in a
7 ridesharing arrangement using a motor vehicle; and

8 (CC) Beginning with taxable years ending on or
9 after December 31, 2003, \$500 for a person holding
10 a teaching certificate issued under the School Code
11 and employed as a teacher in a public school
12 district governed by the School Code.

13 (b) Corporations.

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

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

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

26 (B) An amount equal to the amount of tax
27 imposed by this Act to the extent deducted from
28 gross income in the computation of taxable income
29 for the taxable year;

30 (C) In the case of a regulated investment
31 company, an amount equal to the excess of (i) the
32 net long-term capital gain for the taxable year,
33 over (ii) the amount of the capital gain dividends
34 designated as such in accordance with Section

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

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

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

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

30 (ii) the addition modification relating
31 to the net operating loss carried back or
32 forward to the taxable year from any taxable
33 year ending prior to December 31, 1986 shall
34 not exceed the amount of such carryback or

1 carryforward;

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

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

16 (E-10) For taxable years 2001 and thereafter,
17 an amount equal to the bonus depreciation deduction
18 (30% of the adjusted basis of the qualified
19 property) taken on the taxpayer's federal income tax
20 return for the taxable year under subsection (k) of
21 Section 168 of the Internal Revenue Code; and

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

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

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

1 the following amounts:

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

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

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

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

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

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

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

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

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

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

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

1 previous sentence;

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

11 (O) An amount equal to: (i) 85% for taxable
12 years ending on or before December 31, 1992, or, a
13 percentage equal to the percentage allowable under
14 Section 243(a)(1) of the Internal Revenue Code of
15 1986 for taxable years ending after December 31,
16 1992, of the amount by which dividends included in
17 taxable income and received from a corporation that
18 is not created or organized under the laws of the
19 United States or any state or political subdivision
20 thereof, including, for taxable years ending on or
21 after December 31, 1988, dividends received or
22 deemed received or paid or deemed paid under
23 Sections 951 through 964 of the Internal Revenue
24 Code, exceed the amount of the modification provided
25 under subparagraph (G) of paragraph (2) of this
26 subsection (b) which is related to such dividends;
27 plus (ii) 100% of the amount by which dividends,
28 included in taxable income and received, including,
29 for taxable years ending on or after December 31,
30 1988, dividends received or deemed received or paid
31 or deemed paid under Sections 951 through 964 of the
32 Internal Revenue Code, from any such corporation
33 specified in clause (i) that would but for the
34 provisions of Section 1504 (b) (3) of the Internal

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

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

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

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

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

1 501(a) of the Internal Revenue Code. This
2 subparagraph (S) is exempt from the provisions of
3 Section 250;

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

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

21 (2) "x" equals "y" multiplied by 30 and
22 then divided by 70 (or "y" multiplied by
23 0.429).

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

32 (U) If the taxpayer reports a capital gain or
33 loss on the taxpayer's federal income tax return for
34 the taxable year based on a sale or transfer of

1 property for which the taxpayer was required in any
2 taxable year to make an addition modification under
3 subparagraph (E-10), then an amount equal to that
4 addition modification.

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

8 (3) Special rule. For purposes of paragraph (2)
9 (A), "gross income" in the case of a life insurance
10 company, for tax years ending on and after December 31,
11 1994, shall mean the gross investment income for the
12 taxable year.

13 (c) Trusts and estates.

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

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

22 (A) An amount equal to all amounts paid or
23 accrued to the taxpayer as interest or dividends
24 during the taxable year to the extent excluded from
25 gross income in the computation of taxable income;

26 (B) In the case of (i) an estate, \$600; (ii) a
27 trust which, under its governing instrument, is
28 required to distribute all of its income currently,
29 \$300; and (iii) any other trust, \$100, but in each
30 such case, only to the extent such amount was
31 deducted in the computation of taxable income;

32 (C) An amount equal to the amount of tax
33 imposed by this Act to the extent deducted from
34 gross income in the computation of taxable income

1 for the taxable year;

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

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

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

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

31 For taxable years in which there is a net
32 operating loss carryback or carryforward from more
33 than one other taxable year ending prior to December
34 31, 1986, the addition modification provided in this

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

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

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

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

21 (G-10) For taxable years 2001 and thereafter,
22 an amount equal to the bonus depreciation deduction
23 (30% of the adjusted basis of the qualified
24 property) taken on the taxpayer's federal income tax
25 return for the taxable year under subsection (k) of
26 Section 168 of the Internal Revenue Code; and

27 (G-11) If the taxpayer reports a capital gain
28 or loss on the taxpayer's federal income tax return
29 for the taxable year based on a sale or transfer of
30 property for which the taxpayer was required in any
31 taxable year to make an addition modification under
32 subparagraph (G-10), then an amount equal to the
33 aggregate amount of the deductions taken in all
34 taxable years under subparagraph (R) with respect to

1 that property.†

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

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

18 (I) The valuation limitation amount;

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

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

34 (L) With the exception of any amounts

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

13 (M) An amount equal to those dividends
14 included in such total which were paid by a
15 corporation which conducts business operations in an
16 Enterprise Zone or zones created under the Illinois
17 Enterprise Zone Act and conducts substantially all
18 of its operations in an Enterprise Zone or Zones;

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

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

32 (P) An amount equal to the amount of the
33 deduction used to compute the federal income tax
34 credit for restoration of substantial amounts held

1 under claim of right for the taxable year pursuant
2 to Section 1341 of the Internal Revenue Code of
3 1986;

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

1 the inclusion of items (i) and (ii) of this
2 paragraph in gross income for federal income tax
3 purposes. This paragraph is exempt from the
4 provisions of Section 250;

5 (R) For taxable years 2001 and thereafter, for
6 the taxable year in which the bonus depreciation
7 deduction (30% of the adjusted basis of the
8 qualified property) is taken on the taxpayer's
9 federal income tax return under subsection (k) of
10 Section 168 of the Internal Revenue Code and for
11 each applicable taxable year thereafter, an amount
12 equal to "x", where:

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

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

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

33 (S) If the taxpayer reports a capital gain or
34 loss on the taxpayer's federal income tax return for

1 the taxable year based on a sale or transfer of
2 property for which the taxpayer was required in any
3 taxable year to make an addition modification under
4 subparagraph (G-10), then an amount equal to that
5 addition modification.

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

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

16 (d) Partnerships.

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

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

23 (A) An amount equal to all amounts paid or
24 accrued to the taxpayer as interest or dividends
25 during the taxable year to the extent excluded from
26 gross income in the computation of taxable income;

27 (B) An amount equal to the amount of tax
28 imposed by this Act to the extent deducted from
29 gross income for the taxable year;

30 (C) The amount of deductions allowed to the
31 partnership pursuant to Section 707 (c) of the
32 Internal Revenue Code in calculating its taxable
33 income;

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

1 capital gain deduction allowable under the Internal
2 Revenue Code, to the extent deducted from gross
3 income in the computation of taxable income;

4 (D-5) For taxable years 2001 and thereafter,
5 an amount equal to the bonus depreciation deduction
6 (30% of the adjusted basis of the qualified
7 property) taken on the taxpayer's federal income tax
8 return for the taxable year under subsection (k) of
9 Section 168 of the Internal Revenue Code; and

10 (D-6) If the taxpayer reports a capital gain
11 or loss on the taxpayer's federal income tax return
12 for the taxable year based on a sale or transfer of
13 property for which the taxpayer was required in any
14 taxable year to make an addition modification under
15 subparagraph (D-5), then an amount equal to the
16 aggregate amount of the deductions taken in all
17 taxable years under subparagraph (D) with respect to
18 that property.

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

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

24 (E) The valuation limitation amount;

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

29 (G) An amount equal to all amounts included in
30 taxable income as modified by subparagraphs (A),
31 (B), (C) and (D) which are exempt from taxation by
32 this 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 (H) Any income of the partnership which
7 constitutes personal service income as defined in
8 Section 1348 (b) (1) of the Internal Revenue Code
9 (as in effect December 31, 1981) or a reasonable
10 allowance for compensation paid or accrued for
11 services rendered by partners to the partnership,
12 whichever is greater;

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

20 (J) With the exception of any amounts
21 subtracted under subparagraph (G), an amount equal
22 to the sum of all amounts disallowed as deductions
23 by (i) Sections 171(a) (2), and 265(2) of the
24 Internal Revenue Code of 1954, as now or hereafter
25 amended, and all amounts of expenses allocable to
26 interest and disallowed as deductions by Section
27 265(1) of the Internal Revenue Code, as now or
28 hereafter amended; and (ii) for taxable years ending
29 on or after August 13, 1999, Sections 171(a)(2),
30 265, 280C, and 832(b)(5)(B)(i) of the Internal
31 Revenue Code; the provisions of this subparagraph
32 are exempt from the provisions of Section 250;

33 (K) An amount equal to those dividends
34 included in such total which were paid by a

1 corporation which conducts business operations in an
2 Enterprise Zone or zones created under the Illinois
3 Enterprise Zone Act, enacted by the 82nd General
4 Assembly, and conducts substantially all of its
5 operations in an Enterprise Zone or Zones;

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

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

20 (N) An amount equal to the amount of the
21 deduction used to compute the federal income tax
22 credit for restoration of substantial amounts held
23 under claim of right for the taxable year pursuant
24 to Section 1341 of the Internal Revenue Code of
25 1986;

26 (O) For taxable years 2001 and thereafter, for
27 the taxable year in which the bonus depreciation
28 deduction (30% of the adjusted basis of the
29 qualified property) is taken on the taxpayer's
30 federal income tax return under subsection (k) of
31 Section 168 of the Internal Revenue Code and for
32 each applicable taxable year thereafter, an amount
33 equal to "x", where:

34 (1) "y" equals the amount of the

1 depreciation deduction taken for the taxable
2 year on the taxpayer's federal income tax
3 return on property for which the bonus
4 depreciation deduction (30% of the adjusted
5 basis of the qualified property) was taken in
6 any year under subsection (k) of Section 168 of
7 the Internal Revenue Code, but not including
8 the bonus depreciation deduction; and

9 (2) "x" equals "y" multiplied by 30 and
10 then divided by 70 (or "y" multiplied by
11 0.429).

12 The aggregate amount deducted under this
13 subparagraph in all taxable years for any one piece
14 of property may not exceed the amount of the bonus
15 depreciation deduction (30% of the adjusted basis of
16 the qualified property) taken on that property on
17 the taxpayer's federal income tax return under
18 subsection (k) of Section 168 of the Internal
19 Revenue Code; and

20 (P) 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 (D-5), 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 (e) Gross income; adjusted gross income; taxable income.

31 (1) In general. Subject to the provisions of
32 paragraph (2) and subsection (b) (3), for purposes of
33 this Section and Section 803(e), a taxpayer's gross
34 income, adjusted gross income, or taxable income for the

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

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

33 (A) Certain life insurance companies. In the
34 case of a life insurance company subject to the tax

1 imposed by Section 801 of the Internal Revenue Code,
2 life insurance company taxable income, plus the
3 amount of distribution from pre-1984 policyholder
4 surplus accounts as calculated under Section 815a of
5 the Internal Revenue Code;

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

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

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

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

32 (F) Cooperatives. In the case of a
33 cooperative corporation or association, the taxable
34 income of such organization determined in accordance

1 with the provisions of Section 1381 through 1388 of
2 the Internal Revenue Code;

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

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

29 (f) Valuation limitation amount.

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

33 (A) The sum of the pre-August 1, 1969
34 appreciation amounts (to the extent consisting of

1 gain reportable under the provisions of Section 1245
2 or 1250 of the Internal Revenue Code) for all
3 property in respect of which such gain was reported
4 for the taxable year; plus

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

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

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

26 (B) If the fair market value of property
27 referred to in paragraph (1) was not readily
28 ascertainable on August 1, 1969, the pre-August 1,
29 1969 appreciation amount for such property is that
30 amount which bears the same ratio to the total gain
31 reported in respect of the property for federal
32 income tax purposes for the taxable year, as the
33 number of full calendar months in that part of the
34 taxpayer's holding period for the property ending

1 July 31, 1969 bears to the number of full calendar
2 months in the taxpayer's entire holding period for
3 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
11 by this Section there shall be no modifications or
12 limitations on the amounts of income, gain, loss or deduction
13 taken into account in determining gross income, adjusted
14 gross income or taxable income for federal income tax
15 purposes for the taxable year, or in the amount of such items
16 entering into the computation of base income and net income
17 under this Act for such taxable year, whether in respect of
18 property values as of August 1, 1969 or otherwise.

19 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
20 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
21 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
22 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
23 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
24 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

25 Section 10. The Higher Education Student Assistance Act
26 is amended by changing Section 65.25 as follows:

27 (110 ILCS 947/65.25)

28 Sec. 65.25. Teacher shortage scholarships; loan
29 forgiveness.

30 (a) The Commission may annually award a number of
31 scholarships to persons preparing to teach in areas of

1 identified staff shortages. Such scholarships shall be
2 issued to individuals who make application to the Commission
3 and who agree to take courses at qualified institutions of
4 higher learning which will prepare them to teach in areas of
5 identified staff shortages.

6 (b) Scholarships awarded under this Section shall be
7 issued pursuant to regulations promulgated by the Commission;
8 provided that no rule or regulation promulgated by the State
9 Board of Education prior to the effective date of this
10 amendatory Act of 1993 pursuant to the exercise of any right,
11 power, duty, responsibility or matter of pending business
12 transferred from the State Board of Education to the
13 Commission under this Section shall be affected thereby, and
14 all such rules and regulations shall become the rules and
15 regulations of the Commission until modified or changed by
16 the Commission in accordance with law. The Commission shall
17 allocate the scholarships awarded between persons initially
18 preparing to teach, persons holding valid teaching
19 certificates issued under Articles 21 and 34 of the School
20 Code, and persons holding a bachelor's degree from any
21 accredited college or university who have been employed for a
22 minimum of 10 years in a field other than teaching.

23 (c) Each scholarship shall be utilized by its holder for
24 the payment of tuition and non-revenue bond fees at any
25 qualified institution of higher learning. Such tuition and
26 fees shall be available only for courses that will enable the
27 individual to be certified to teach in areas of identified
28 staff shortages. The Commission shall determine which
29 courses are eligible for tuition payments under this Section.

30 (d) The Commission may make tuition payments directly to
31 the qualified institution of higher learning which the
32 individual attends for the courses prescribed or may make
33 payments to the teacher. Any teacher who received payments
34 and who fails to enroll in the courses prescribed shall

1 refund the payments to the Commission.

2 (e) Following the completion of the program of study,
3 persons who held valid teaching certificates and persons
4 holding a bachelor's degree from any accredited college or
5 university who have been employed for a minimum of 10 years
6 in a field other than teaching prior to receiving a teacher
7 shortage scholarship must accept employment within 2 years in
8 a school in Illinois within 60 miles of the person's
9 residence to teach in an area of identified staff shortage
10 for a period of at least 3 years; provided, however that any
11 such person instead may elect to accept employment within
12 such 2 year period to teach in an area of identified staff
13 shortage for a period of at least 3 years in a school in
14 Illinois which is more than 60 miles from such person's
15 residence. Persons initially preparing to teach prior to
16 receiving a teacher shortage scholarship must accept
17 employment within 2 years in a school in Illinois to teach in
18 an area of identified staff shortage for a period of at least
19 3 years. Individuals who fail to comply with this provision
20 shall refund all of the scholarships awarded to the
21 Commission, whether payments were made directly to the
22 institutions of higher learning or to the individuals, and
23 this condition shall be agreed to in writing by all
24 scholarship recipients at the time the scholarship is
25 awarded. No individual shall be required to refund tuition
26 payments if his or her failure to obtain employment as a
27 teacher in a school is the result of financial conditions
28 within school districts. The rules and regulations
29 promulgated as provided in this Section shall contain
30 provisions regarding the waiving and deferral of such
31 payments.

32 (f) The Commission, with the cooperation of the State
33 Board of Education, shall assist individuals who have
34 participated in the scholarship program established by this

1 Section in finding employment in areas of identified staff
2 shortages.

3 (g) Beginning in September, 1994 and annually
4 thereafter, the Commission, using data annually supplied by
5 the State Board of Education under procedures developed by it
6 to measure the level of shortage of qualified bilingual
7 personnel serving students with disabilities, shall annually
8 publish (i) the level of shortage of qualified bilingual
9 personnel serving students with disabilities, and (ii)
10 allocations of scholarships for personnel preparation
11 training programs in the areas of bilingual special education
12 teacher training and bilingual school service personnel.

13 (h) Appropriations for the scholarships outlined in this
14 Section shall be made to the Commission from funds
15 appropriated by the General Assembly. The Commission shall
16 request an appropriation each year to sufficiently fund at
17 least 25 scholarships.

18 (i) This Section is substantially the same as Section
19 30-4c of the School Code, which Section is repealed by this
20 amendatory Act of 1993, and shall be construed as a
21 continuation of the teacher shortage scholarship program
22 established under that prior law, and not as a new or
23 different teacher shortage scholarship program. The State
24 Board of Education shall transfer to the Commission, as the
25 successor to the State Board of Education for all purposes of
26 administering and implementing the provisions of this
27 Section, all books, accounts, records, papers, documents,
28 contracts, agreements, and pending business in any way
29 relating to the teacher shortage scholarship program
30 continued under this Section; and all scholarships at any
31 time awarded under that program by, and all applications for
32 any such scholarships at any time made to, the State Board of
33 Education shall be unaffected by the transfer to the
34 Commission of all responsibility for the administration and

1 implementation of the teacher shortage scholarship program
2 continued under this Section. The State Board of Education
3 shall furnish to the Commission such other information as the
4 Commission may request to assist it in administering this
5 Section.

6 (i-5) The Commission shall establish a loan forgiveness
7 program in which 15% of a person's student loans are forgiven
8 by teaching in a public school in this State in an area of
9 identified staff shortage for a period of one year, with an
10 additional 5% in loan forgiveness for each year thereafter.
11 However, the maximum rate of loan forgiveness per person
12 under this program may not exceed 30%.

13 (j) For the purposes of this Section:

14 "Qualified institution of higher learning" means the
15 University of Illinois, Southern Illinois University, Chicago
16 State University, Eastern Illinois University, Governors
17 State University, Illinois State University, Northeastern
18 Illinois University, Northern Illinois University, Western
19 Illinois University, the public community colleges subject to
20 the Public Community College Act and any Illinois privately
21 operated college, community college or university offering
22 degrees and instructional programs above the high school
23 level either in residence or by correspondence. The Board of
24 Higher Education and the Commission, in consultation with the
25 State Board of Education, shall identify qualified
26 institutions to supply the demand for bilingual special
27 education teachers and bilingual school service personnel.

28 "Areas of identified staff shortages" means courses of
29 study in which the number of teachers is insufficient to meet
30 student or school district demand for such instruction as
31 determined by the State Board of Education.

32 (Source: P.A. 88-228; 89-4, eff. 1-1-96.)

33 Section 99. Effective date. This Act takes effect on

1 July 1, 2003.