

1 AN ACT to amend the Illinois Income Tax Act by changing  
2 Section 203.

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

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

7 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

8 Sec. 203. Base income defined.

9 (a) Individuals.

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

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

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

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

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

1 of 1939 and for which a deduction was previously  
2 taken under subparagraph (L) of this paragraph (2)  
3 prior to July 1, 1991, the retrospective application  
4 date of Article 4 of Public Act 87-17. In the case  
5 of multi-unit or multi-use structures and farm  
6 dwellings, the taxes on the taxpayer's principal  
7 residence shall be that portion of the total taxes  
8 for the entire property which is attributable to  
9 such principal residence;

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

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16 withdrawn by the taxpayer in the taxable year from a  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

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

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

1           (D-16) If the taxpayer reports a capital gain  
2 or loss on the taxpayer's federal income tax return  
3 for the taxable year based on a sale or transfer of  
4 property for which the taxpayer was required in any  
5 taxable year to make an addition modification under  
6 subparagraph (D-15), then an amount equal to the  
7 aggregate amount of the deductions taken in all  
8 taxable years under subparagraph (Z) with respect to  
9 that property.†

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

13           (D-20) ~~(D-15)~~ For taxable years beginning on  
14 or after January 1, 2002, in the case of a  
15 distribution from a qualified tuition program under  
16 Section 529 of the Internal Revenue Code, other than  
17 (i) a distribution from a College Savings Pool  
18 created under Section 16.5 of the State Treasurer  
19 Act or (ii) a distribution from the Illinois Prepaid  
20 Tuition Trust Fund, an amount equal to the amount  
21 excluded from gross income under Section  
22 529(c)(3)(B);

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

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

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

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

31 (G) The valuation limitation amount;

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

1 year;

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

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

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

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

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

1 265(1) of the Internal Revenue Code of 1954, as now  
2 or hereafter amended; and (ii) for taxable years  
3 ending on or after August 13, 1999, Sections  
4 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
5 Internal Revenue Code; the provisions of this  
6 subparagraph are exempt from the provisions of  
7 Section 250;

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

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

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

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

33 (R) An amount equal to the amount of any  
34 federal or State bonus paid to veterans of the

1 Persian Gulf War;

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

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

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

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

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

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

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



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

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

1 from the provisions of Section 250;

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

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

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

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

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; and

9           (CC) Beginning with taxable years ending on or  
10          after December 31, 2003, for taxpayers 62 years of  
11          age and older, an amount equal to all amounts the  
12          taxpayer pays during the taxable year for Medicare  
13          Part B benefits under Title XVIII of the federal  
14          Social Security Act for costs of, including but not  
15          limited to, physician services, outpatient hospital  
16          services, medical equipment and supplies, and other  
17          health services and supplies. This subparagraph  
18          (CC) is exempt from the provisions of Section 250.

19          (b) Corporations.

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

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

26           (A) An amount equal to all amounts paid or  
27           accrued to the taxpayer as interest and all  
28           distributions received from regulated investment  
29           companies during the taxable year to the extent  
30           excluded from gross income in the computation of  
31           taxable income;

32           (B) 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 (C) In the case of a regulated investment  
3 company, an amount equal to the excess of (i) the  
4 net long-term capital gain for the taxable year,  
5 over (ii) the amount of the capital gain dividends  
6 designated as such in accordance with Section  
7 852(b)(3)(C) of the Internal Revenue Code and any  
8 amount designated under Section 852(b)(3)(D) of the  
9 Internal Revenue Code, attributable to the taxable  
10 year (this amendatory Act of 1995 (Public Act 89-89)  
11 is declarative of existing law and is not a new  
12 enactment);

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

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

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

1 an earlier taxable year, and

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

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

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

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

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

1 taxable years under subparagraph (T) with respect to  
2 that property.†

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

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

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

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

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

20 (I) With the exception of any amounts  
21 subtracted under subparagraph (J), an amount equal  
22 to the sum of all amounts disallowed as deductions  
23 by (i) Sections 171(a) (2), and 265(a)(2) and  
24 amounts disallowed as interest expense by Section  
25 291(a)(3) of the Internal Revenue Code, as now or  
26 hereafter amended, and all amounts of expenses  
27 allocable to interest and disallowed as deductions  
28 by Section 265(a)(1) of the Internal Revenue Code,  
29 as now or hereafter amended; and (ii) for taxable  
30 years ending on or after August 13, 1999, Sections  
31 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
32 of the Internal Revenue Code; the provisions of this  
33 subparagraph are exempt from the provisions of  
34 Section 250;

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

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

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

27           (M) For any taxpayer that is a financial  
28 organization within the meaning of Section 304(c) of  
29 this Act, an amount included in such total as  
30 interest income from a loan or loans made by such  
31 taxpayer to a borrower, to the extent that such a  
32 loan is secured by property which is eligible for  
33 the Enterprise Zone Investment Credit. To determine  
34 the portion of a loan or loans that is secured by

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

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



1 for the deduction provided under this subparagraph  
2 (M-1). The subtraction modification available to  
3 taxpayers in any year under this subsection shall be  
4 that portion of the total interest paid by the  
5 borrower with respect to such loan attributable to  
6 the eligible property as calculated under the  
7 previous sentence;

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

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

1 for taxable years ending on or after December 31,  
2 1988, dividends received or deemed received or paid  
3 or deemed paid under Sections 951 through 964 of the  
4 Internal Revenue Code, from any such corporation  
5 specified in clause (i) that would but for the  
6 provisions of Section 1504 (b) (3) of the Internal  
7 Revenue Code be treated as a member of the  
8 affiliated group which includes the dividend  
9 recipient, exceed the amount of the modification  
10 provided under subparagraph (G) of paragraph (2) of  
11 this subsection (b) which is related to such  
12 dividends;

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

16 (Q) An amount equal to the amount of the  
17 deduction used to compute the federal income tax  
18 credit for restoration of substantial amounts held  
19 under claim of right for the taxable year pursuant  
20 to Section 1341 of the Internal Revenue Code of  
21 1986;

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

33 (S) For taxable years ending on or after  
34 December 31, 1997, in the case of a Subchapter S

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

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

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

27 (2) "x" equals "y" multiplied by 30 and  
28 then divided by 70 (or "y" multiplied by  
29 0.429).

30 The aggregate amount deducted under this  
31 subparagraph in all taxable years for any one piece  
32 of property may not exceed the amount of the bonus  
33 depreciation deduction (30% of the adjusted basis of  
34 the qualified property) taken on that property on

1 the taxpayer's federal income tax return under  
2 subsection (k) of Section 168 of the Internal  
3 Revenue Code; and

4 (U) If the taxpayer reports a capital gain or  
5 loss on the taxpayer's federal income tax return for  
6 the taxable year based on a sale or transfer of  
7 property for which the taxpayer was required in any  
8 taxable year to make an addition modification under  
9 subparagraph (E-10), then an amount equal to that  
10 addition modification.

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

14 (3) Special rule. For purposes of paragraph (2)  
15 (A), "gross income" in the case of a life insurance  
16 company, for tax years ending on and after December 31,  
17 1994, shall mean the gross investment income for the  
18 taxable year.

19 (c) Trusts and estates.

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

24 (2) Modifications. Subject to the provisions of  
25 paragraph (3), the taxable income referred to in  
26 paragraph (1) shall be modified by adding thereto the sum  
27 of the following amounts:

28 (A) An amount equal to all amounts paid or  
29 accrued to the taxpayer as interest or dividends  
30 during the taxable year to the extent excluded from  
31 gross income in the computation of taxable income;

32 (B) In the case of (i) an estate, \$600; (ii) a  
33 trust which, under its governing instrument, is  
34 required to distribute all of its income currently,

1           \$300; and (iii) any other trust, \$100, but in each  
2 such case, only to the extent such amount was  
3 deducted in the computation of taxable income;

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

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

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

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

31           (ii) the addition modification relating  
32 to the net operating loss carried back or  
33 forward to the taxable year from any taxable  
34 year ending prior to December 31, 1986 shall

1 not exceed the amount of such carryback or  
2 carryforward;

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

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

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

21 (G-5) For taxable years ending after December  
22 31, 1997, an amount equal to any eligible  
23 remediation costs that the trust or estate deducted  
24 in computing adjusted gross income and for which the  
25 trust or estate claims a credit under subsection (l)  
26 of Section 201;

27 (G-10) For taxable years 2001 and thereafter,  
28 an amount equal to the bonus depreciation deduction  
29 (30% of the adjusted basis of the qualified  
30 property) taken on the taxpayer's federal income tax  
31 return for the taxable year under subsection (k) of  
32 Section 168 of the Internal Revenue Code; and

33 (G-11) If the taxpayer reports a capital gain  
34 or loss on the taxpayer's federal income tax return

1 for 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 the  
5 aggregate amount of the deductions taken in all  
6 taxable years under subparagraph (R) with respect to  
7 that property.†

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

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

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

24 (I) The valuation limitation amount;

25 (J) 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 (K) An amount equal to all amounts included in  
30 taxable income as modified by subparagraphs (A),  
31 (B), (C), (D), (E), (F) and (G) which are exempt  
32 from taxation by this State either by reason of its  
33 statutes or Constitution or by reason of the  
34 Constitution, treaties or statutes of the United

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

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

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

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

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



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

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

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

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

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

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

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

31 The aggregate amount deducted under this  
32 subparagraph in all taxable years for any one piece  
33 of property may not exceed the amount of the bonus  
34 depreciation deduction (30% of the adjusted basis of

1 the qualified property) taken on that property on  
2 the taxpayer's federal income tax return under  
3 subsection (k) of Section 168 of the Internal  
4 Revenue Code; and

5 (S) If the taxpayer reports a capital gain or  
6 loss on the taxpayer's federal income tax return for  
7 the taxable year based on a sale or transfer of  
8 property for which the taxpayer was required in any  
9 taxable year to make an addition modification under  
10 subparagraph (G-10), then an amount equal to that  
11 addition modification.

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

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

22 (d) Partnerships.

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

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

29 (A) An amount equal to all amounts paid or  
30 accrued to the taxpayer as interest or dividends  
31 during the taxable year to the extent excluded from  
32 gross income in the computation of taxable income;

33 (B) An amount equal to the amount of tax  
34 imposed by this Act to the extent deducted from

1 gross income for the taxable year;

2 (C) The amount of deductions allowed to the  
3 partnership pursuant to Section 707 (c) of the  
4 Internal Revenue Code in calculating its taxable  
5 income;

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

10 (D-5) For taxable years 2001 and thereafter,  
11 an amount equal to the bonus depreciation deduction  
12 (30% of the adjusted basis of the qualified  
13 property) taken on the taxpayer's federal income tax  
14 return for the taxable year under subsection (k) of  
15 Section 168 of the Internal Revenue Code; and

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

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

28 and by deducting from the total so obtained the following  
29 amounts:

30 (E) The valuation limitation amount;

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

12           (H) Any income of the partnership which  
13 constitutes personal service income as defined in  
14 Section 1348 (b) (1) of the Internal Revenue Code  
15 (as in effect December 31, 1981) or a reasonable  
16 allowance for compensation paid or accrued for  
17 services rendered by partners to the partnership,  
18 whichever is greater;

19           (I) An amount equal to all amounts of income  
20 distributable to an entity subject to the Personal  
21 Property Tax Replacement Income Tax imposed by  
22 subsections (c) and (d) of Section 201 of this Act  
23 including amounts distributable to organizations  
24 exempt from federal income tax by reason of Section  
25 501(a) of the Internal Revenue Code;

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

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

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, enacted by the 82nd General  
10 Assembly, and conducts substantially all of its  
11 operations in an Enterprise Zone or Zones;

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

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

26 (N) An amount equal to the amount of the  
27 deduction used to compute the federal income tax  
28 credit for restoration of substantial amounts held  
29 under claim of right for the taxable year pursuant  
30 to Section 1341 of the Internal Revenue Code of  
31 1986;

32 (O) For taxable years 2001 and thereafter, for  
33 the taxable year in which the bonus depreciation  
34 deduction (30% of the adjusted basis of the

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

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

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

18 The aggregate amount deducted under this  
19 subparagraph in all taxable years for any one piece  
20 of property may not exceed the amount of the bonus  
21 depreciation deduction (30% of the adjusted basis of  
22 the qualified property) taken on that property on  
23 the taxpayer's federal income tax return under  
24 subsection (k) of Section 168 of the Internal  
25 Revenue Code; 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 11-15-02.)

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