

1 AN ACT concerning college savings.

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

4 Section 5. The State Treasurer Act is amended by
5 changing Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may
8 establish and administer a College Savings Pool to supplement
9 and enhance the investment opportunities otherwise available
10 to persons seeking to finance the costs of higher education.
11 The State Treasurer, in administering the College Savings
12 Pool, may receive moneys paid into the pool by a participant
13 and may serve as the fiscal agent of that participant for the
14 purpose of holding and investing those moneys.

15 "Participant", as used in this Section, means any person
16 who makes investments in the pool. "Designated beneficiary",
17 as used in this Section, means any person on whose behalf an
18 account is established in the College Savings Pool by a
19 participant. Both in-state and out-of-state persons may be
20 participants and designated beneficiaries in the College
21 Savings Pool.

22 New accounts in the College Savings Pool shall be
23 processed through participating financial institutions.
24 "Participating financial institution", as used in this
25 Section, means any financial institution insured by the
26 Federal Deposit Insurance Corporation and lawfully doing
27 business in the State of Illinois and any credit union
28 approved by the State Treasurer and lawfully doing business
29 in the State of Illinois that agrees to process new accounts
30 in the College Savings Pool. Participating financial
31 institutions may charge a processing fee to participants to

1 open an account in the pool that shall not exceed \$30 until
2 the year 2001. Beginning in 2001 and every year thereafter,
3 the maximum fee limit shall be adjusted by the Treasurer
4 based on the Consumer Price Index for the North Central
5 Region as published by the United States Department of Labor,
6 Bureau of Labor Statistics for the immediately preceding
7 calendar year. Every contribution received by a financial
8 institution for investment in the College Savings Pool shall
9 be transferred from the financial institution to a location
10 selected by the State Treasurer within one business day
11 following the day that the funds must be made available in
12 accordance with federal law. All communications from the
13 State Treasurer to participants shall reference the
14 participating financial institution at which the account was
15 processed.

16 The Treasurer may invest the moneys in the College
17 Savings Pool in the same manner, in the same types of
18 investments, and subject to the same limitations provided for
19 the investment of moneys by the Illinois State Board of
20 Investment. To enhance the safety and liquidity of the
21 College Savings Pool, to ensure the diversification of the
22 investment portfolio of the pool, and in an effort to keep
23 investment dollars in the State of Illinois, the State
24 Treasurer shall make a percentage of each account available
25 for investment in participating financial institutions doing
26 business in the State. The State Treasurer shall deposit
27 with the participating financial institution at which the
28 account was processed the following percentage of each
29 account at a prevailing rate offered by the institution,
30 provided that the deposit is federally insured or fully
31 collateralized and the institution accepts the deposit: 10%
32 of the total amount of each account for which the current age
33 of the beneficiary is less than 7 years of age, 20% of the
34 total amount of each account for which the beneficiary is at

1 least 7 years of age and less than 12 years of age, and 50%
2 of the total amount of each account for which the current age
3 of the beneficiary is at least 12 years of age. The State
4 Treasurer shall adjust each account at least annually to
5 ensure compliance with this Section. The Treasurer shall
6 develop, publish, and implement an investment policy covering
7 the investment of the moneys in the College Savings Pool.
8 The policy shall be published (i) at least once each year in
9 at least one newspaper of general circulation in both
10 Springfield and Chicago and (ii) each year as part of the
11 audit of the College Savings Pool by the Auditor General,
12 which shall be distributed to all participants. The
13 Treasurer shall notify all participants in writing, and the
14 Treasurer shall publish in a newspaper of general circulation
15 in both Chicago and Springfield, any changes to the
16 previously published investment policy at least 30 calendar
17 days before implementing the policy. Any investment policy
18 adopted by the Treasurer shall be reviewed and updated if
19 necessary within 90 days following the date that the State
20 Treasurer takes office.

21 Participants shall be required to use moneys distributed
22 from the College Savings Pool for qualified expenses at
23 eligible educational institutions. "Qualified expenses", as
24 used in this Section, means the following: (i) tuition, fees,
25 and the costs of books, supplies, and equipment required for
26 enrollment or attendance at an eligible educational
27 institution and (ii) certain room and board expenses incurred
28 while attending an eligible educational institution at least
29 half-time. "Eligible educational institutions", as used in
30 this Section, means public and private colleges, junior
31 colleges, graduate schools, and certain vocational
32 institutions that are described in Section 481 of the Higher
33 Education Act of 1965 (20 U.S.C. 1088) and that are eligible
34 to participate in Department of Education student aid

1 programs. A student shall be considered to be enrolled at
2 least half-time if the student is enrolled for at least half
3 the full-time academic work load for the course of study the
4 student is pursuing as determined under the standards of the
5 institution at which the student is enrolled. Distributions
6 made from the pool for qualified expenses shall be made
7 directly to the eligible educational institution, directly to
8 a vendor, or in the form of a check payable to both the
9 beneficiary and the institution or vendor. Any moneys that
10 are distributed in any other manner or that are used for
11 expenses other than qualified expenses at an eligible
12 educational institution shall be subject to a penalty of 10%
13 of the earnings unless the beneficiary dies, becomes
14 disabled, or receives a scholarship that equals or exceeds
15 the distribution. Penalties shall be withheld at the time
16 the distribution is made.

17 The Treasurer shall limit the contributions that may be
18 made on behalf of a designated beneficiary based on an
19 actuarial estimate of what is required to pay tuition, fees,
20 and room and board for 5 undergraduate years at the highest
21 cost eligible educational institution. The contributions made
22 on behalf of a beneficiary who is also a beneficiary under
23 the Illinois Prepaid Tuition Program shall be further
24 restricted to ensure that the contributions in both programs
25 combined do not exceed the limit established for the College
26 Savings Pool. The Treasurer shall provide the Illinois
27 Student Assistance Commission each year at a time designated
28 by the Commission, an electronic report of all participant
29 accounts in the Treasurer's College Savings Pool, listing
30 total contributions and disbursements from each individual
31 account during the previous calendar year. As soon
32 thereafter as is possible following receipt of the
33 Treasurer's report, the Illinois Student Assistance
34 Commission shall, in turn, provide the Treasurer with an

1 electronic report listing those College Savings Pool
2 participants who also participate in the State's prepaid
3 tuition program, administered by the Commission. The
4 Commission shall be responsible for filing any combined tax
5 reports regarding State qualified savings programs required
6 by the United States Internal Revenue Service. The Treasurer
7 shall work with the Illinois Student Assistance Commission to
8 coordinate the marketing of the College Savings Pool and the
9 Illinois Prepaid Tuition Program when considered beneficial
10 by the Treasurer and the Director of the Illinois Student
11 Assistance Commission. The Treasurer's office shall not
12 publicize or otherwise market the College Savings Pool or
13 accept any moneys into the College Savings Pool prior to
14 March 1, 2000. The Treasurer shall provide a separate
15 accounting for each designated beneficiary to each
16 participant, the Illinois Student Assistance Commission, and
17 the participating financial institution at which the account
18 was processed. No interest in the program may be pledged as
19 security for a loan.

20 The assets of the College Savings Pool and its income and
21 operation shall be exempt from all taxation by the State of
22 Illinois and any of its subdivisions. The accrued earnings
23 on investments in the Pool once disbursed on behalf of a
24 designated beneficiary shall be similarly exempt from all
25 taxation by the State of Illinois and its subdivisions, so
26 long as they are used for qualified expenses. Contributions
27 during the taxable year to a College Savings Pool account or
28 other qualified tuition program under Section 529 of the
29 Internal Revenue Code (26 U.S.C. 529) during-the-taxable-year
30 may be deducted from adjusted gross income as provided in
31 Section 203 of the Illinois Income Tax Act. The provisions
32 of this paragraph are exempt from Section 250 of the Illinois
33 Income Tax Act.

34 The Treasurer shall adopt rules he or she considers

1 necessary for the efficient administration of the College
2 Savings Pool. The rules shall provide whatever additional
3 parameters and restrictions are necessary to ensure that the
4 College Savings Pool meets all of the requirements for a
5 qualified state tuition program under Section 529 of the
6 Internal Revenue Code (26 U.S.C. 529). The rules shall
7 provide for the administration expenses of the pool to be
8 paid from its earnings and for the investment earnings in
9 excess of the expenses and all moneys collected as penalties
10 to be credited or paid monthly to the several participants in
11 the pool in a manner which equitably reflects the differing
12 amounts of their respective investments in the pool and the
13 differing periods of time for which those amounts were in the
14 custody of the pool. Also, the rules shall require the
15 maintenance of records that enable the Treasurer's office to
16 produce a report for each account in the pool at least
17 annually that documents the account balance and investment
18 earnings. Notice of any proposed amendments to the rules and
19 regulations shall be provided to all participants prior to
20 adoption. Amendments to rules and regulations shall apply
21 only to contributions made after the adoption of the
22 amendment.

23 Upon creating the College Savings Pool, the State
24 Treasurer shall give bond with 2 or more sufficient sureties,
25 payable to and for the benefit of the participants in the
26 College Savings Pool, in the penal sum of \$1,000,000,
27 conditioned upon the faithful discharge of his or her duties
28 in relation to the College Savings Pool.

29 No contributions to the College Savings Pool authorized
30 by this Section shall be considered in evaluating the
31 financial situation of the designated beneficiary or be
32 deemed a financial resource of or a form of financial aid or
33 assistance to the designated beneficiary, for purposes of
34 determining eligibility for any scholarship, grant, or

1 monetary assistance awarded by the Illinois Student
2 Assistance Commission, the State, or any agency thereof; nor
3 shall contributions to the College Savings Pool reduce the
4 amount of any scholarship, grant, or monetary assistance that
5 the designated beneficiary is eligible to be awarded by the
6 Illinois Student Assistance Commission, the State, or any
7 agency thereof in accordance with the provisions of any State
8 law.

9 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01;
10 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff.
11 7-11-02.)

12 Section 10. The Illinois Income Tax Act is amended by
13 changing Section 203 as follows:

14 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

15 Sec. 203. Base income defined.

16 (a) Individuals.

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

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

24 (A) An amount equal to all amounts paid or
25 accrued to the taxpayer as interest or dividends
26 during the taxable year to the extent excluded from
27 gross income in the computation of adjusted gross
28 income, except stock dividends of qualified public
29 utilities described in Section 305(e) of the
30 Internal Revenue Code;

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

1 gross income in the computation of adjusted gross
2 income for the taxable year;

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

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

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

29 (D-10) For taxable years ending after December
30 31, 1997, an amount equal to any eligible
31 remediation costs that the individual deducted in
32 computing adjusted gross income and for which the
33 individual claims a credit under subsection (l) of
34 Section 201;

1 (D-15) For taxable years 2001 and thereafter,
 2 an amount equal to the bonus depreciation deduction
 3 (30% of the adjusted basis of the qualified
 4 property) taken on the taxpayer's federal income tax
 5 return for the taxable year under subsection (k) of
 6 Section 168 of the Internal Revenue Code; and

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

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

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

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

31 (E) For taxable years ending before December
 32 31, 2001, any amount included in such total in
 33 respect of any compensation (including but not
 34 limited to any compensation paid or accrued to a

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

26 (F) An amount equal to all amounts included in
27 such total pursuant to the provisions of Sections
28 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
29 408 of the Internal Revenue Code, or included in
30 such total as distributions under the provisions of
31 any retirement or disability plan for employees of
32 any governmental agency or unit, or retirement
33 payments to retired partners, which payments are
34 excluded in computing net earnings from self

1 employment by Section 1402 of the Internal Revenue
2 Code and regulations adopted pursuant thereto;

3 (G) The valuation limitation amount;

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

8 (I) An amount equal to all amounts included in
9 such total pursuant to the provisions of Section 111
10 of the Internal Revenue Code as a recovery of items
11 previously deducted from adjusted gross income in
12 the computation of taxable income;

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

29 (L) For taxable years ending after December
30 31, 1983, an amount equal to all social security
31 benefits and railroad retirement benefits included
32 in such total pursuant to Sections 72(r) and 86 of
33 the Internal Revenue Code;

34 (M) With the exception of any amounts

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

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

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

27 (P) An amount equal to the amount of the
28 deduction used to compute the federal income tax
29 credit for restoration of substantial amounts held
30 under claim of right for the taxable year pursuant
31 to Section 1341 of the Internal Revenue Code of
32 1986;

33 (Q) An amount equal to any amounts included in
34 such total, received by the taxpayer as an

1 acceleration in the payment of life, endowment or
2 annuity benefits in advance of the time they would
3 otherwise be payable as an indemnity for a terminal
4 illness;

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

8 (S) An amount, to the extent included in
9 adjusted gross income, equal to the amount of a
10 contribution made in the taxable year on behalf of
11 the taxpayer to a medical care savings account
12 established under the Medical Care Savings Account
13 Act or the Medical Care Savings Account Act of 2000
14 to the extent the contribution is accepted by the
15 account administrator as provided in that Act;

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

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

31 (V) Beginning with tax years ending on or
32 after December 31, 1995 and ending with tax years
33 ending on or before December 31, 2004, an amount
34 equal to the amount paid by a taxpayer who is a

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

26 (W) For taxable years beginning on or after
27 January 1, 1998, all amounts included in the
28 taxpayer's federal gross income in the taxable year
29 from amounts converted from a regular IRA to a Roth
30 IRA. This paragraph is exempt from the provisions of
31 Section 250;

32 (X) For taxable year 1999 and thereafter, an
33 amount equal to the amount of any (i) distributions,
34 to the extent includible in gross income for federal

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

33 (Y) For taxable years beginning on or after
34 January 1, 2002 and ending on or before December 31,

1 2002, moneys contributed in the taxable year to a
2 College Savings Pool account under Section 16.5 of
3 the State Treasurer Act, except that amounts
4 excluded from gross income under Section
5 529(c)(3)(C)(i) of the Internal Revenue Code shall
6 not be considered moneys contributed under this
7 subparagraph (Y). For taxable years ending after
8 December 31, 2002, moneys contributed to a College
9 Savings Pool account under Section 16.5 of the State
10 Treasurer Act, to the Illinois Prepaid Tuition Trust
11 Fund under the Illinois Prepaid Tuition Act, or to
12 any other qualified tuition program under Section
13 529 of the Internal Revenue Code, except that
14 amounts rolled over into a program under Section
15 529(c)(3)(C)(i) of the Internal Revenue Code shall
16 not be considered moneys contributed under this
17 subparagraph (Y). This subparagraph (Y) is exempt
18 from the provisions of Section 250;

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

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

1 the bonus depreciation deduction; and

2 (2) "x" equals "y" multiplied by 30 and
3 then divided by 70 (or "y" multiplied by
4 0.429).

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

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

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

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

26 (b) Corporations.

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

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

33 (A) An amount equal to all amounts paid or
34 accrued to the taxpayer as interest and all

1 distributions received from regulated investment
2 companies during the taxable year to the extent
3 excluded from gross income in the computation of
4 taxable income;

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

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

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

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

34 (i) the addition modification relating to

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

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

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

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

29 (E-10) 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 (E-11) 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 (E-10), then an amount equal to the
7 aggregate amount of the deductions taken in all
8 taxable years under subparagraph (T) 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;

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

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

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

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

27 (I) With the exception of any amounts
28 subtracted under subparagraph (J), an amount equal
29 to the sum of all amounts disallowed as deductions
30 by (i) Sections 171(a) (2), and 265(a)(2) and
31 amounts disallowed as interest expense by Section
32 291(a)(3) of the Internal Revenue Code, as now or
33 hereafter amended, and all amounts of expenses
34 allocable to interest and disallowed as deductions

1 by Section 265(a)(1) of the Internal Revenue Code,
2 as now or hereafter amended; and (ii) for taxable
3 years ending on or after August 13, 1999, Sections
4 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)
5 of the Internal Revenue Code; the provisions of this
6 subparagraph are exempt from the provisions of
7 Section 250;

8 (J) An amount equal to all amounts included in
9 such total which are exempt from taxation by this
10 State either by reason of its statutes or
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 (K) An amount equal to those dividends
19 included in such total which were paid by a
20 corporation which conducts business operations in an
21 Enterprise Zone or zones created under the Illinois
22 Enterprise Zone Act and conducts substantially all
23 of its operations in an Enterprise Zone or zones;

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

34 (M) For any taxpayer that is a financial

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

22 (M-1) For any taxpayer that is a financial
23 organization within the meaning of Section 304(c) of
24 this Act, an amount included in such total as
25 interest income from a loan or loans made by such
26 taxpayer to a borrower, to the extent that such a
27 loan is secured by property which is eligible for
28 the High Impact Business Investment Credit. To
29 determine the portion of a loan or loans that is
30 secured by property eligible for a Section 201(h)
31 investment credit to the borrower, the entire
32 principal amount of the loan or loans between the
33 taxpayer and the borrower should be divided into the
34 basis of the Section 201(h) investment credit

1 property which secures the loan or loans, using for
2 this purpose the original basis of such property on
3 the date that it was placed in service in a
4 federally designated Foreign Trade Zone or Sub-Zone
5 located in Illinois. No taxpayer that is eligible
6 for the deduction provided in subparagraph (M) of
7 paragraph (2) of this subsection shall be eligible
8 for the deduction provided under this subparagraph
9 (M-1). The subtraction modification available to
10 taxpayers in any year under this subsection shall be
11 that portion of the total interest paid by the
12 borrower with respect to such loan attributable to
13 the eligible property as calculated under the
14 previous sentence;

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

24 (O) An amount equal to: (i) 85% for taxable
25 years ending on or before December 31, 1992, or, a
26 percentage equal to the percentage allowable under
27 Section 243(a)(1) of the Internal Revenue Code of
28 1986 for taxable years ending after December 31,
29 1992, of the amount by which dividends included in
30 taxable income and received from a corporation that
31 is not created or organized under the laws of the
32 United States or any state or political subdivision
33 thereof, including, for taxable years ending on or
34 after December 31, 1988, dividends received or

1 deemed received or paid or deemed paid under
2 Sections 951 through 964 of the Internal Revenue
3 Code, exceed the amount of the modification provided
4 under subparagraph (G) of paragraph (2) of this
5 subsection (b) which is related to such dividends;
6 plus (ii) 100% of the amount by which dividends,
7 included in taxable income and received, including,
8 for taxable years ending on or after December 31,
9 1988, dividends received or deemed received or paid
10 or deemed paid under Sections 951 through 964 of the
11 Internal Revenue Code, from any such corporation
12 specified in clause (i) that would but for the
13 provisions of Section 1504 (b) (3) of the Internal
14 Revenue Code be treated as a member of the
15 affiliated group which includes the dividend
16 recipient, exceed the amount of the modification
17 provided under subparagraph (G) of paragraph (2) of
18 this subsection (b) which is related to such
19 dividends;

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

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

29 (R) In the case of an attorney-in-fact with
30 respect to whom an interinsurer or a reciprocal
31 insurer has made the election under Section 835 of
32 the Internal Revenue Code, 26 U.S.C. 835, an amount
33 equal to the excess, if any, of the amounts paid or
34 incurred by that interinsurer or reciprocal insurer

1 in the taxable year to the attorney-in-fact over the
2 deduction allowed to that interinsurer or reciprocal
3 insurer with respect to the attorney-in-fact under
4 Section 835(b) of the Internal Revenue Code for the
5 taxable year;

6 (S) For taxable years ending on or after
7 December 31, 1997, in the case of a Subchapter S
8 corporation, an amount equal to all amounts of
9 income allocable to a shareholder subject to the
10 Personal Property Tax Replacement Income Tax imposed
11 by subsections (c) and (d) of Section 201 of this
12 Act, including amounts allocable to organizations
13 exempt from federal income tax by reason of Section
14 501(a) of the Internal Revenue Code. This
15 subparagraph (S) is exempt from the provisions of
16 Section 250;

17 (T) For taxable years 2001 and thereafter, for
18 the taxable year in which the bonus depreciation
19 deduction (30% of the adjusted basis of the
20 qualified property) is taken on the taxpayer's
21 federal income tax return under subsection (k) of
22 Section 168 of the Internal Revenue Code and for
23 each applicable taxable year thereafter, an amount
24 equal to "x", where:

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

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

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

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

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

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

21 (3) Special rule. For purposes of paragraph (2)
22 (A), "gross income" in the case of a life insurance
23 company, for tax years ending on and after December 31,
24 1994, shall mean the gross investment income for the
25 taxable year.

26 (c) Trusts and estates.

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

31 (2) Modifications. Subject to the provisions of
32 paragraph (3), the taxable income referred to in
33 paragraph (1) shall be modified by adding thereto the sum
34 of the following amounts:

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

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

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

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

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

29 (i) the addition modification relating to
30 the net operating loss carried back or forward
31 to the taxable year from any taxable year
32 ending prior to December 31, 1986 shall be
33 reduced by the amount of addition modification
34 under this subparagraph (E) which related to

1 that net operating loss and which was taken
2 into account in calculating the base income of
3 an earlier taxable year, and

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

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

18 (F) For taxable years ending on or after
19 January 1, 1989, an amount equal to the tax deducted
20 pursuant to Section 164 of the Internal Revenue Code
21 if the trust or estate is claiming the same tax for
22 purposes of the Illinois foreign tax credit under
23 Section 601 of this Act;

24 (G) An amount equal to the amount of the
25 capital gain deduction allowable under the Internal
26 Revenue Code, to the extent deducted from gross
27 income in the computation of taxable income;

28 (G-5) For taxable years ending after December
29 31, 1997, an amount equal to any eligible
30 remediation costs that the trust or estate deducted
31 in computing adjusted gross income and for which the
32 trust or estate claims a credit under subsection (1)
33 of Section 201;

34 (G-10) For taxable years 2001 and thereafter,

1 an amount equal to the bonus depreciation deduction
2 (30% of the adjusted basis of the qualified
3 property) taken on the taxpayer's federal income tax
4 return for the taxable year under subsection (k) of
5 Section 168 of the Internal Revenue Code; and

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

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

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

20 (H) 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 such
24 total as distributions under the provisions of any
25 retirement or disability plan for employees of any
26 governmental agency or unit, or retirement payments
27 to retired partners, which payments are excluded in
28 computing net earnings from self employment by
29 Section 1402 of the Internal Revenue Code and
30 regulations adopted pursuant thereto;

31 (I) The valuation limitation amount;

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

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

26 (M) An amount equal to those dividends
27 included in such total which were paid by a
28 corporation which conducts business operations in an
29 Enterprise Zone or zones created under the Illinois
30 Enterprise Zone Act and conducts substantially all
31 of its operations in an Enterprise Zone or Zones;

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

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

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

17 (Q) For taxable year 1999 and thereafter, an
18 amount equal to the amount of any (i) distributions,
19 to the extent includible in gross income for federal
20 income tax purposes, made to the taxpayer because of
21 his or her status as a victim of persecution for
22 racial or religious reasons by Nazi Germany or any
23 other Axis regime or as an heir of the victim and
24 (ii) items of income, to the extent includible in
25 gross income for federal income tax purposes,
26 attributable to, derived from or in any way related
27 to assets stolen from, hidden from, or otherwise
28 lost to a victim of persecution for racial or
29 religious reasons by Nazi Germany or any other Axis
30 regime immediately prior to, during, and immediately
31 after World War II, including, but not limited to,
32 interest on the proceeds receivable as insurance
33 under policies issued to a victim of persecution for
34 racial or religious reasons by Nazi Germany or any

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

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

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

1 (2) "x" equals "y" multiplied by 30 and
2 then divided by 70 (or "y" multiplied by
3 0.429).

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

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

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

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

29 (d) Partnerships.

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

33 (2) Modifications. The taxable income referred to
34 in paragraph (1) shall be modified by adding thereto the

1 sum of the following amounts:

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

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

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

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

17 (D-5) For taxable years 2001 and thereafter,
18 an amount equal to the bonus depreciation deduction
19 (30% of the adjusted basis of the qualified
20 property) taken on the taxpayer's federal income tax
21 return for the taxable year under subsection (k) of
22 Section 168 of the Internal Revenue Code; and

23 (D-6) If the taxpayer reports a capital gain
24 or loss on the taxpayer's federal income tax return
25 for the taxable year based on a sale or transfer of
26 property for which the taxpayer was required in any
27 taxable year to make an addition modification under
28 subparagraph (D-5), then an amount equal to the
29 aggregate amount of the deductions taken in all
30 taxable years under subparagraph (D) with respect to
31 that property.

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

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

3 (E) The valuation limitation amount;

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

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

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

26 (I) An amount equal to all amounts of income
27 distributable to an entity subject to the Personal
28 Property Tax Replacement Income Tax imposed by
29 subsections (c) and (d) of Section 201 of this Act
30 including amounts distributable to organizations
31 exempt from federal income tax by reason of Section
32 501(a) of the Internal Revenue Code;

33 (J) With the exception of any amounts
34 subtracted under subparagraph (G), an amount equal

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

12 (K) An amount equal to those dividends
13 included in such total which were paid by a
14 corporation which conducts business operations in an
15 Enterprise Zone or zones created under the Illinois
16 Enterprise Zone Act, enacted by the 82nd General
17 Assembly, and conducts substantially all of its
18 operations in an Enterprise Zone or Zones;

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

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

33 (N) An amount equal to the amount of the
34 deduction used to compute the federal income tax

1 credit for restoration of substantial amounts held
2 under claim of right for the taxable year pursuant
3 to Section 1341 of the Internal Revenue Code of
4 1986;

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

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

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

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

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

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

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

27 (D) Real estate investment trusts. In the
28 case of a real estate investment trust subject to
29 the tax imposed by Section 857 of the Internal
30 Revenue Code, real estate investment trust taxable
31 income;

32 (E) Consolidated corporations. In the case of
33 a corporation which is a member of an affiliated
34 group of corporations filing a consolidated income

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

11 (F) Cooperatives. In the case of a
12 cooperative corporation or association, the taxable
13 income of such organization determined in accordance
14 with the provisions of Section 1381 through 1388 of
15 the Internal Revenue Code;

16 (G) Subchapter S corporations. In the case
17 of: (i) a Subchapter S corporation for which there
18 is in effect an election for the taxable year under
19 Section 1362 of the Internal Revenue Code, the
20 taxable income of such corporation determined in
21 accordance with Section 1363(b) of the Internal
22 Revenue Code, except that taxable income shall take
23 into account those items which are required by
24 Section 1363(b)(1) of the Internal Revenue Code to
25 be separately stated; and (ii) a Subchapter S
26 corporation for which there is in effect a federal
27 election to opt out of the provisions of the
28 Subchapter S Revision Act of 1982 and have applied
29 instead the prior federal Subchapter S rules as in
30 effect on July 1, 1982, the taxable income of such
31 corporation determined in accordance with the
32 federal Subchapter S rules as in effect on July 1,
33 1982; and

34 (H) Partnerships. In the case of a

1 partnership, taxable income determined in accordance
2 with Section 703 of the Internal Revenue Code,
3 except that taxable income shall take into account
4 those items which are required by Section 703(a)(1)
5 to be separately stated but which would be taken
6 into account by an individual in calculating his
7 taxable income.

8 (f) Valuation limitation amount.

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

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

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

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

28 (A) If the fair market value of property
29 referred to in paragraph (1) was readily
30 ascertainable on August 1, 1969, the pre-August 1,
31 1969 appreciation amount for such property is the
32 lesser of (i) the excess of such fair market value
33 over the taxpayer's basis (for determining gain) for
34 such property on that date (determined under the

1 Internal Revenue Code as in effect on that date), or
2 (ii) the total gain realized and reportable for
3 federal income tax purposes in respect of the sale,
4 exchange or other disposition of such property.

5 (B) If the fair market value of property
6 referred to in paragraph (1) was not readily
7 ascertainable on August 1, 1969, the pre-August 1,
8 1969 appreciation amount for such property is that
9 amount which bears the same ratio to the total gain
10 reported in respect of the property for federal
11 income tax purposes for the taxable year, as the
12 number of full calendar months in that part of the
13 taxpayer's holding period for the property ending
14 July 31, 1969 bears to the number of full calendar
15 months in the taxpayer's entire holding period for
16 the property.

17 (C) The Department shall prescribe such
18 regulations as may be necessary to carry out the
19 purposes of this paragraph.

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

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

32 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
33 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.

1 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
2 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
3 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
4 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

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