

1 AN ACT concerning taxation.

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

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

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

8 (a) Individuals.

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

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

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

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

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

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

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

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15 withdrawn by the taxpayer in the taxable year from a  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

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

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

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

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

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

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

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

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

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

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

30 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

29           (AA) If the taxpayer reports a capital gain or  
30 loss on the taxpayer's federal income tax return for  
31 the taxable year based on a sale or transfer of  
32 property for which the taxpayer was required in any  
33 taxable year to make an addition modification under  
34 subparagraph (D-15), then an amount equal to that

1 addition modification.

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

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

8 (CC) Beginning with taxable years ending on or  
9 after December 31, 2004, an amount equal to the  
10 actual cost to the taxpayer to retrofit a building  
11 owned by the taxpayer with a fire sprinkler system,  
12 as defined in Section 10 of the Fire Sprinkler  
13 Contractor Licensing Act. To qualify for this  
14 deduction, the building must be in existence on the  
15 effective date of this amendatory Act of the 93rd  
16 General Assembly and the fire sprinkler system must  
17 be installed by personnel who are licensed in  
18 accordance with the Fire Sprinkler Contractor  
19 Licensing Act. This subparagraph is exempt from the  
20 provisions of Section 250.

21 (b) Corporations.

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

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

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

34 (B) An amount equal to the amount of tax

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

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

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 earlier  
27 taxable year, with the following limitations applied  
28 in the 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 (E-5) For taxable years ending after December  
19 31, 1997, an amount equal to any eligible  
20 remediation costs that the corporation deducted in  
21 computing adjusted gross income and for which the  
22 corporation claims a credit under subsection (l) of  
23 Section 201;

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

30 (E-11) If the taxpayer reports a capital gain  
31 or loss on the taxpayer's federal income tax return  
32 for 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 (E-10), then an amount equal to the  
2           aggregate amount of the deductions taken in all  
3           taxable years under subparagraph (T) with respect to  
4           that property.†

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

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

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

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

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

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

1           subparagraph are exempt from the provisions of  
2           Section 250;

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

13          (K) 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          (L) 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          (K) of paragraph 2 of this subsection shall not be  
27          eligible for the deduction provided under this  
28          subparagraph (L);

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

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

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



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

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

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

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

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

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

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

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

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

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

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

32          The aggregate amount deducted under this  
33          subparagraph in all taxable years for any one piece  
34          of property may not exceed the amount of the bonus

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

6 (U) If the taxpayer reports a capital gain or  
7 loss on the taxpayer's federal income tax return for  
8 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 (E-10), then an amount equal to that  
12 addition modification.

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

16 (V) Beginning with taxable years ending on or  
17 after December 31, 2004, an amount equal to the  
18 actual cost to the taxpayer to retrofit a building  
19 owned by the taxpayer with a fire sprinkler system,  
20 as defined in Section 10 of the Fire Sprinkler  
21 Contractor Licensing Act. To qualify for this  
22 deduction, the building must be in existence on the  
23 effective date of this amendatory Act of the 93rd  
24 General Assembly and the fire sprinkler system must  
25 be installed by personnel who are licensed in  
26 accordance with the Fire Sprinkler Contractor  
27 Licensing Act. This subparagraph is exempt from the  
28 provisions of Section 250.

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

34 (c) Trusts and estates.

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

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

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

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

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

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

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

1 year, with the following limitations applied in the  
2 order that they are listed:

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

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

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

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

32 (G) An amount equal to the amount of the  
33 capital gain deduction allowable under the Internal  
34 Revenue Code, to the extent deducted from gross

1 income in the computation of taxable income;

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

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

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

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

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

28 (H) An amount equal to all amounts included in  
29 such total pursuant to the provisions of Sections  
30 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and  
31 408 of the Internal Revenue Code or included in such  
32 total as distributions under the provisions of any  
33 retirement or disability plan for employees of any  
34 governmental agency or unit, or retirement payments

1 to retired partners, which payments are excluded in  
2 computing net earnings from self employment by  
3 Section 1402 of the Internal Revenue Code and  
4 regulations adopted pursuant thereto;

5 (I) The valuation limitation amount;

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

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

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

34 (M) An amount equal to those dividends



1 included in such total which were paid by a  
2 corporation which conducts business operations in an  
3 Enterprise Zone or zones created under the Illinois  
4 Enterprise Zone Act and conducts substantially all  
5 of its operations in an Enterprise Zone or Zones;

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

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

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

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

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

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

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

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

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

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

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

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

30 (T) Beginning with taxable years ending on or  
31 after December 31, 2004, an amount equal to the  
32 actual cost to the taxpayer to retrofit a building  
33 owned by the taxpayer with a fire sprinkler system,  
34 as defined in Section 10 of the Fire Sprinkler



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

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

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

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

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

24 (E) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (Q) Beginning with taxable years ending on or  
31 after December 31, 2004, an amount equal to the  
32 actual cost to the taxpayer to retrofit a building  
33 owned by the taxpayer with a fire sprinkler system,  
34 as defined in Section 10 of the Fire Sprinkler



1           Contractor Licensing Act. To qualify for this  
2           deduction, the building must be in existence on the  
3           effective date of this amendatory Act of the 93rd  
4           General Assembly and the fire sprinkler system must  
5           be installed by personnel who are licensed in  
6           accordance with the Fire Sprinkler Contractor  
7           Licensing Act. This subparagraph is exempt from the  
8           provisions of Section 250.

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 10-15-03.)