



## 93RD GENERAL ASSEMBLY

### State of Illinois

### 2003 and 2004

Introduced 02/04/04, by Jack McGuire

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

35 ILCS 5/204

from Ch. 120, par. 2-204

Amends the Illinois Income Tax Act. Provides that, for taxable years ending on or after December 31, 2004, the deduction allowed for public employee pension income applies only to the first \$40,000 of a public employee pension received during the taxable. For taxable years ending on or after December 31, 2004 changes the additional exemption for a taxpayer or spouse 65 years or age or older from \$1,000 per year to \$10,000 per year. Effective immediately.

LRB093 18557 SJM 44278 b

FISCAL NOTE ACT  
MAY APPLY

1 AN ACT concerning taxes.

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 Sections 203 and 204 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 paragraph  
12 (2).

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

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

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

27 (C) An amount equal to the amount received during  
28 the taxable year as a recovery or refund of real  
29 property taxes paid with respect to the taxpayer's  
30 principal residence under the Revenue Act of 1939 and  
31 for which a deduction was previously taken under  
32 subparagraph (L) of this paragraph (2) prior to July 1,

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

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

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

19 (D-10) For taxable years ending after December 31,  
20 1997, an amount equal to any eligible remediation costs  
21 that the individual deducted in computing adjusted  
22 gross income and for which the individual claims a  
23 credit under subsection (l) of Section 201;

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

30 (D-16) If the taxpayer reports a capital gain or  
31 loss on the taxpayer's federal income tax return for  
32 the taxable year based on a sale or transfer of  
33 property for which the taxpayer was required in any  
34 taxable year to make an addition modification under  
35 subparagraph (D-15), then an amount equal to the  
36 aggregate amount of the deductions taken in all taxable

1 years under subparagraph (Z) with respect to that  
2 property.~~†~~

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

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

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

17 (E) For taxable years ending before December 31,  
18 2001, any amount included in such total in respect of  
19 any compensation (including but not limited to any  
20 compensation paid or accrued to a serviceman while a  
21 prisoner of war or missing in action) paid to a  
22 resident by reason of being on active duty in the Armed  
23 Forces of the United States and in respect of any  
24 compensation paid or accrued to a resident who as a  
25 governmental employee was a prisoner of war or missing  
26 in action, and in respect of any compensation paid to a  
27 resident in 1971 or thereafter for annual training  
28 performed pursuant to Sections 502 and 503, Title 32,  
29 United States Code as a member of the Illinois National  
30 Guard. For taxable years ending on or after December  
31, 2001, any amount included in such total in respect  
32 of any compensation (including but not limited to any  
33 compensation paid or accrued to a serviceman while a  
34 prisoner of war or missing in action) paid to a  
35 resident by reason of being a member of any component  
36 of the Armed Forces of the United States and in respect

1 of any compensation paid or accrued to a resident who  
2 as a governmental employee was a prisoner of war or  
3 missing in action, and in respect of any compensation  
4 paid to a resident in 2001 or thereafter by reason of  
5 being a member of the Illinois National Guard. The  
6 provisions of this amendatory Act of the 92nd General  
7 Assembly are exempt from the provisions of Section 250;

8 (F) Through taxable years ending on or before  
9 December 31, 2003, an ~~An~~ amount equal to all amounts  
10 included in such total pursuant to the provisions of  
11 Sections 402(a), 402(c), 403(a), 403(b), 406(a),  
12 407(a), and 408 of the Internal Revenue Code, or  
13 included in such total as distributions under the  
14 provisions of any retirement or disability plan for  
15 employees of any governmental agency or unit, or  
16 retirement payments to retired partners, which  
17 payments are excluded in computing net earnings from  
18 self employment by Section 1402 of the Internal Revenue  
19 Code and regulations adopted pursuant thereto. For  
20 taxable years ending on or after December 31, 2004, an  
21 amount equal to all amounts of \$40,000 or less included  
22 in such total pursuant to the provisions of Sections  
23 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
24 408 of the Internal Revenue Code, or included in such  
25 total as distributions under the provisions of any  
26 retirement or disability plan for employees of any  
27 governmental agency or unit, or retirement payments to  
28 retired partners, which payments are excluded in  
29 computing net earnings from self employment by Section  
30 1402 of the Internal Revenue Code and regulations  
31 adopted pursuant thereto;

32 (G) The valuation limitation amount;

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

36 (I) An amount equal to all amounts included in such

1 total pursuant to the provisions of Section 111 of the  
2 Internal Revenue Code as a recovery of items previously  
3 deducted from adjusted gross income in the computation  
4 of taxable income;

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

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

20 (L) For taxable years ending after December 31,  
21 1983, an amount equal to all social security benefits  
22 and railroad retirement benefits included in such  
23 total pursuant to Sections 72(r) and 86 of the Internal  
24 Revenue Code;

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

1 250;

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

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

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

19 (Q) An amount equal to any amounts included in such  
20 total, received by the taxpayer as an acceleration in  
21 the payment of life, endowment or annuity benefits in  
22 advance of the time they would otherwise be payable as  
23 an indemnity for a terminal illness;

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

26 (S) An amount, to the extent included in adjusted  
27 gross income, equal to the amount of a contribution  
28 made in the taxable year on behalf of the taxpayer to a  
29 medical care savings account established under the  
30 Medical Care Savings Account Act or the Medical Care  
31 Savings Account Act of 2000 to the extent the  
32 contribution is accepted by the account administrator  
33 as provided in that Act;

34 (T) An amount, to the extent included in adjusted  
35 gross income, equal to the amount of interest earned in  
36 the taxable year on a medical care savings account

1 established under the Medical Care Savings Account Act  
2 or the Medical Care Savings Account Act of 2000 on  
3 behalf of the taxpayer, other than interest added  
4 pursuant to item (D-5) of this paragraph (2);

5 (U) For one taxable year beginning on or after  
6 January 1, 1994, an amount equal to the total amount of  
7 tax imposed and paid under subsections (a) and (b) of  
8 Section 201 of this Act on grant amounts received by  
9 the taxpayer under the Nursing Home Grant Assistance  
10 Act during the taxpayer's taxable years 1992 and 1993;

11 (V) Beginning with tax years ending on or after  
12 December 31, 1995 and ending with tax years ending on  
13 or before December 31, 2004, an amount equal to the  
14 amount paid by a taxpayer who is a self-employed  
15 taxpayer, a partner of a partnership, or a shareholder  
16 in a Subchapter S corporation for health insurance or  
17 long-term care insurance for that taxpayer or that  
18 taxpayer's spouse or dependents, to the extent that the  
19 amount paid for that health insurance or long-term care  
20 insurance may be deducted under Section 213 of the  
21 Internal Revenue Code of 1986, has not been deducted on  
22 the federal income tax return of the taxpayer, and does  
23 not exceed the taxable income attributable to that  
24 taxpayer's income, self-employment income, or  
25 Subchapter S corporation income; except that no  
26 deduction shall be allowed under this item (V) if the  
27 taxpayer is eligible to participate in any health  
28 insurance or long-term care insurance plan of an  
29 employer of the taxpayer or the taxpayer's spouse. The  
30 amount of the health insurance and long-term care  
31 insurance subtracted under this item (V) shall be  
32 determined by multiplying total health insurance and  
33 long-term care insurance premiums paid by the taxpayer  
34 times a number that represents the fractional  
35 percentage of eligible medical expenses under Section  
36 213 of the Internal Revenue Code of 1986 not actually



1           deducted on the taxpayer's federal income tax return;

2           (W) For taxable years beginning on or after January  
3 1, 1998, all amounts included in the taxpayer's federal  
4 gross income in the taxable year from amounts converted  
5 from a regular IRA to a Roth IRA. This paragraph is  
6 exempt from the provisions of Section 250;

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

1 this paragraph in gross income for federal income tax  
2 purposes. This paragraph is exempt from the provisions  
3 of Section 250;

4 (Y) For taxable years beginning on or after January  
5 1, 2002, moneys contributed in the taxable year to a  
6 College Savings Pool account under Section 16.5 of the  
7 State Treasurer Act, except that amounts excluded from  
8 gross income under Section 529(c)(3)(C)(i) of the  
9 Internal Revenue Code shall not be considered moneys  
10 contributed under this subparagraph (Y). This  
11 subparagraph (Y) is exempt from the provisions of  
12 Section 250;

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

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

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

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

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

8 The taxpayer is allowed to take the deduction under  
9 this subparagraph only once with respect to any one  
10 piece of property; and

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

14 (b) Corporations.

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

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

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

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

29 (C) In the case of a regulated investment company,  
30 an amount equal to the excess of (i) the net long-term  
31 capital gain for the taxable year, over (ii) the amount  
32 of the capital gain dividends designated as such in  
33 accordance with Section 852(b)(3)(C) of the Internal  
34 Revenue Code and any amount designated under Section  
35 852(b)(3)(D) of the Internal Revenue Code,

1           attributable to the taxable year (this amendatory Act  
2           of 1995 (Public Act 89-89) is declarative of existing  
3           law and is not a new enactment);

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

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

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

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

31          For taxable years in which there is a net operating  
32          loss carryback or carryforward from more than one other  
33          taxable year ending prior to December 31, 1986, the  
34          addition modification provided in this subparagraph  
35          (E) shall be the sum of the amounts computed  
36          independently under the preceding provisions of this

1           subparagraph (E) for each such taxable year;

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

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

13          (E-11) 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 (E-10), then an amount equal to the  
19          aggregate amount of the deductions taken in all taxable  
20          years under subparagraph (T) with respect to that  
21          property.

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

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

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

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

32          (H) In the case of a regulated investment company,  
33          an amount equal to the amount of exempt interest  
34          dividends as defined in subsection (b) (5) of Section  
35          852 of the Internal Revenue Code, paid to shareholders  
36          for the taxable year;

1 (I) With the exception of any amounts subtracted  
2 under subparagraph (J), an amount equal to the sum of  
3 all amounts disallowed as deductions by (i) Sections  
4 171(a) (2), and 265(a)(2) and amounts disallowed as  
5 interest expense by Section 291(a)(3) of the Internal  
6 Revenue Code, as now or hereafter amended, and all  
7 amounts of expenses allocable to interest and  
8 disallowed as deductions by Section 265(a)(1) of the  
9 Internal Revenue Code, as now or hereafter amended; and  
10 (ii) for taxable years ending on or after August 13,  
11 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
12 832(b)(5)(B)(i) of the Internal Revenue Code; the  
13 provisions of this subparagraph are exempt from the  
14 provisions of Section 250;

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

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

30 (L) An amount equal to those dividends included in  
31 such total that were paid by a corporation that  
32 conducts business operations in a federally designated  
33 Foreign Trade Zone or Sub-Zone and that is designated a  
34 High Impact Business located in Illinois; provided  
35 that dividends eligible for the deduction provided in  
36 subparagraph (K) of paragraph 2 of this subsection

1 shall not be eligible for the deduction provided under  
2 this subparagraph (L);

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

36 The taxpayer is allowed to take the deduction under

1           this subparagraph only once with respect to any one  
2           piece of property.

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

7           (c) Trusts and estates.

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

11          (2) Modifications. Subject to the provisions of  
12          paragraph (3), the taxable income referred to in paragraph  
13          (1) shall be modified by adding thereto the sum of the  
14          following amounts:

15                (A) An amount equal to all amounts paid or accrued  
16                to the taxpayer as interest or dividends during the  
17                taxable year to the extent excluded from gross income  
18                in the computation of taxable income;

19                (B) In the case of (i) an estate, \$600; (ii) a  
20                trust which, under its governing instrument, is  
21                required to distribute all of its income currently,  
22                \$300; and (iii) any other trust, \$100, but in each such  
23                case, only to the extent such amount was deducted in  
24                the computation of taxable income;

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

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

32                (E) For taxable years in which a net operating loss  
33                carryback or carryforward from a taxable year ending  
34                prior to December 31, 1986 is an element of taxable  
35                income under paragraph (1) of subsection (e) or

1           subparagraph (E) of paragraph (2) of subsection (e),  
2           the amount by which addition modifications other than  
3           those provided by this subparagraph (E) exceeded  
4           subtraction modifications in such taxable year, with  
5           the following limitations applied in the order that  
6           they are listed:

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

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

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

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

33           (G) An amount equal to the amount of the capital  
34           gain deduction allowable under the Internal Revenue  
35           Code, to the extent deducted from gross income in the  
36           computation of taxable income;

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

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

12 (G-11) 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 the  
18 aggregate amount of the deductions taken in all taxable  
19 years under subparagraph (R) with respect to that  
20 property.

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

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

26 (H) Through taxable years ending on or before  
27 December 31, 2003, an ~~An~~ amount equal to all amounts  
28 included in such total pursuant to the provisions of  
29 Sections 402(a), 402(c), 403(a), 403(b), 406(a),  
30 407(a) and 408 of the Internal Revenue Code or included  
31 in such total as distributions under the provisions of  
32 any retirement or disability plan for employees of any  
33 governmental agency or unit, or retirement payments to  
34 retired partners, which payments are excluded in  
35 computing net earnings from self employment by Section  
36 1402 of the Internal Revenue Code and regulations

1           adopted pursuant thereto. For taxable years ending on  
2           or after December 31, 2004, an amount equal to all  
3           amounts of \$40,000 or less included in such total  
4           pursuant to the provisions of Sections 402(a), 402(c),  
5           403(a), 403(b), 406(a), 407(a), and 408 of the Internal  
6           Revenue Code, or included in such total as  
7           distributions under the provisions of any retirement  
8           or disability plan for employees of any governmental  
9           agency or unit, or retirement payments to retired  
10           partners, which payments are excluded in computing net  
11           earnings from self employment by Section 1402 of the  
12           Internal Revenue Code and regulations adopted pursuant  
13           thereto;

14           (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

33 (1) "y" equals the amount of the depreciation  
34 deduction taken for the taxable year on the  
35 taxpayer's federal income tax return on property  
36 for which the bonus depreciation deduction (30% of



1 the adjusted basis of the qualified property) was  
2 taken in any year under subsection (k) of Section  
3 168 of the Internal Revenue Code, but not including  
4 the bonus depreciation deduction; and

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

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

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

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

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

31 (d) Partnerships.

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

35 (2) Modifications. The taxable income referred to in

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

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

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

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

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

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

23 (D-6) If the taxpayer reports a capital gain or  
24 loss on the taxpayer's federal income tax return for  
25 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 taxable  
30 years under subparagraph (O) with respect to that  
31 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;

35 and by deducting from the total so obtained the following  
36 amounts:

1 (E) The valuation limitation amount;

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

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

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

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

28 (J) With the exception of any amounts subtracted  
29 under subparagraph (G), an amount equal to the sum of  
30 all amounts disallowed as deductions by (i) Sections  
31 171(a) (2), and 265(2) of the Internal Revenue Code of  
32 1954, as now or hereafter amended, and all amounts of  
33 expenses allocable to interest and disallowed as  
34 deductions by Section 265(1) of the Internal Revenue  
35 Code, as now or hereafter amended; and (ii) for taxable  
36 years ending on or after August 13, 1999, Sections

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

5 (K) An amount equal to those dividends included in  
6 such total which were paid by a corporation which  
7 conducts business operations in an Enterprise Zone or  
8 zones created under the Illinois Enterprise Zone Act,  
9 enacted by the 82nd General Assembly, and conducts  
10 substantially all of its operations in an Enterprise  
11 Zone or Zones;

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

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

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

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

36 (1) "y" equals the amount of the depreciation

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

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

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

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

24 The taxpayer is allowed to take the deduction under  
25 this subparagraph only once with respect to any one  
26 piece of property.

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

28 (1) In general. Subject to the provisions of paragraph  
29 (2) and subsection (b) (3), for purposes of this Section  
30 and Section 803(e), a taxpayer's gross income, adjusted  
31 gross income, or taxable income for the taxable year shall  
32 mean the amount of gross income, adjusted gross income or  
33 taxable income properly reportable for federal income tax  
34 purposes for the taxable year under the provisions of the  
35 Internal Revenue Code. Taxable income may be less than

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

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

28 (A) Certain life insurance companies. In the case  
29 of a life insurance company subject to the tax imposed  
30 by Section 801 of the Internal Revenue Code, life  
31 insurance company taxable income, plus the amount of  
32 distribution from pre-1984 policyholder surplus  
33 accounts as calculated under Section 815a of the  
34 Internal Revenue Code;

35 (B) Certain other insurance companies. In the case  
36 of mutual insurance companies subject to the tax

1 imposed by Section 831 of the Internal Revenue Code,  
2 insurance company taxable income;

3 (C) Regulated investment companies. In the case of  
4 a regulated investment company subject to the tax  
5 imposed by Section 852 of the Internal Revenue Code,  
6 investment company taxable income;

7 (D) Real estate investment trusts. In the case of a  
8 real estate investment trust subject to the tax imposed  
9 by Section 857 of the Internal Revenue Code, real  
10 estate investment trust taxable income;

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

23 (F) Cooperatives. In the case of a cooperative  
24 corporation or association, the taxable income of such  
25 organization determined in accordance with the  
26 provisions of Section 1381 through 1388 of the Internal  
27 Revenue Code;

28 (G) Subchapter S corporations. In the case of: (i)  
29 a Subchapter S corporation for which there is in effect  
30 an election for the taxable year under Section 1362 of  
31 the Internal Revenue Code, the taxable income of such  
32 corporation determined in accordance with Section  
33 1363(b) of the Internal Revenue Code, except that  
34 taxable income shall take into account those items  
35 which are required by Section 1363(b)(1) of the  
36 Internal Revenue Code to be separately stated; and (ii)

1 a Subchapter S corporation for which there is in effect  
2 a federal election to opt out of the provisions of the  
3 Subchapter S Revision Act of 1982 and have applied  
4 instead the prior federal Subchapter S rules as in  
5 effect on July 1, 1982, the taxable income of such  
6 corporation determined in accordance with the federal  
7 Subchapter S rules as in effect on July 1, 1982; and

8 (H) Partnerships. In the case of a partnership,  
9 taxable income determined in accordance with Section  
10 703 of the Internal Revenue Code, except that taxable  
11 income shall take into account those items which are  
12 required by Section 703(a)(1) to be separately stated  
13 but which would be taken into account by an individual  
14 in calculating his taxable income.

15 (f) Valuation limitation amount.

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

19 (A) The sum of the pre-August 1, 1969 appreciation  
20 amounts (to the extent consisting of gain reportable  
21 under the provisions of Section 1245 or 1250 of the  
22 Internal Revenue Code) for all property in respect of  
23 which such gain was reported for the taxable year; plus

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

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

33 (A) If the fair market value of property referred  
34 to in paragraph (1) was readily ascertainable on August  
35 1, 1969, the pre-August 1, 1969 appreciation amount for



1           such property is the lesser of (i) the excess of such  
2           fair market value over the taxpayer's basis (for  
3           determining gain) for such property on that date  
4           (determined under the Internal Revenue Code as in  
5           effect on that date), or (ii) the total gain realized  
6           and reportable for federal income tax purposes in  
7           respect of the sale, exchange or other disposition of  
8           such property.

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

20          (C) The Department shall prescribe such  
21          regulations as may be necessary to carry out the  
22          purposes of this paragraph.

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

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

1 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
2 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
3 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
4 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
5 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
6 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

7 (35 ILCS 5/204) (from Ch. 120, par. 2-204)

8 Sec. 204. Standard Exemption.

9 (a) Allowance of exemption. In computing net income under  
10 this Act, there shall be allowed as an exemption the sum of the  
11 amounts determined under subsections (b), (c) and (d),  
12 multiplied by a fraction the numerator of which is the amount  
13 of the taxpayer's base income allocable to this State for the  
14 taxable year and the denominator of which is the taxpayer's  
15 total base income for the taxable year.

16 (b) Basic amount. For the purpose of subsection (a) of this  
17 Section, except as provided by subsection (a) of Section 205  
18 and in this subsection, each taxpayer shall be allowed a basic  
19 amount of \$1000, except that for corporations the basic amount  
20 shall be zero for tax years ending on or after December 31,  
21 2003, and for individuals the basic amount shall be:

22 (1) for taxable years ending on or after December 31,  
23 1998 and prior to December 31, 1999, \$1,300;

24 (2) for taxable years ending on or after December 31,  
25 1999 and prior to December 31, 2000, \$1,650;

26 (3) for taxable years ending on or after December 31,  
27 2000, \$2,000.

28 For taxable years ending on or after December 31, 1992, a  
29 taxpayer whose Illinois base income exceeds the basic amount  
30 and who is claimed as a dependent on another person's tax  
31 return under the Internal Revenue Code of 1986 shall not be  
32 allowed any basic amount under this subsection.

33 (c) Additional amount for individuals. In the case of an  
34 individual taxpayer, there shall be allowed for the purpose of  
35 subsection (a), in addition to the basic amount provided by

1 subsection (b), an additional exemption equal to the basic  
2 amount for each exemption in excess of one allowable to such  
3 individual taxpayer for the taxable year under Section 151 of  
4 the Internal Revenue Code.

5 (d) Additional exemptions for an individual taxpayer and  
6 his or her spouse. In the case of an individual taxpayer and  
7 his or her spouse, he or she shall each be allowed additional  
8 exemptions as follows:

9 (1) Additional exemption for taxpayer or spouse 65  
10 years of age or older.

11 (A) For taxpayer. An additional exemption of  
12 \$1,000 for the taxpayer if he or she has attained the  
13 age of 65 before the end of the taxable year, for  
14 taxable years ending before December 31, 2004. For  
15 taxable years ending on or after December 31, 2004, the  
16 amount shall be \$10,000.

17 (B) For spouse when a joint return is not filed. An  
18 additional exemption of \$1,000, for taxable years  
19 ending before December 31, 2004, for the spouse of the  
20 taxpayer if a joint return is not made by the taxpayer  
21 and his spouse, and if the spouse has attained the age  
22 of 65 before the end of such taxable year, and, for the  
23 calendar year in which the taxable year of the taxpayer  
24 begins, has no gross income and is not the dependent of  
25 another taxpayer. For taxable years ending on or after  
26 December 31, 2004, the amount shall be \$10,000.

27 (2) Additional exemption for blindness of taxpayer or  
28 spouse.

29 (A) For taxpayer. An additional exemption of  
30 \$1,000 for the taxpayer if he or she is blind at the  
31 end of the taxable year.

32 (B) For spouse when a joint return is not filed. An  
33 additional exemption of \$1,000 for the spouse of the  
34 taxpayer if a separate return is made by the taxpayer,  
35 and if the spouse is blind and, for the calendar year  
36 in which the taxable year of the taxpayer begins, has

1 no gross income and is not the dependent of another  
2 taxpayer. For purposes of this paragraph, the  
3 determination of whether the spouse is blind shall be  
4 made as of the end of the taxable year of the taxpayer;  
5 except that if the spouse dies during such taxable year  
6 such determination shall be made as of the time of such  
7 death.

8 (C) Blindness defined. For purposes of this  
9 subsection, an individual is blind only if his or her  
10 central visual acuity does not exceed 20/200 in the  
11 better eye with correcting lenses, or if his or her  
12 visual acuity is greater than 20/200 but is accompanied  
13 by a limitation in the fields of vision such that the  
14 widest diameter of the visual fields subtends an angle  
15 no greater than 20 degrees.

16 (e) Cross reference. See Article 3 for the manner of  
17 determining base income allocable to this State.

18 (f) Application of Section 250. Section 250 does not apply  
19 to the amendments to this Section made by Public Act 90-613.

20 (Source: P.A. 93-29, eff. 6-20-03.)

21 Section 99. Effective date. This Act takes effect on  
22 January 1, 2005.