



93RD GENERAL ASSEMBLY

State of Illinois

2003 and 2004

Introduced 02/04/04, by Kevin Joyce

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.5	
35 ILCS 5/203	from Ch. 120, par. 2-203
110 ILCS 920/9 rep.	from Ch. 144, par. 2409
110 ILCS 979/70 rep.	

Amends the Illinois Income Tax Act. Authorizes a deduction of up to \$10,000 per taxable year for amounts contributed in the taxable year to a College Savings Pool Account or the Illinois Prepaid Tuition Trust Fund, excluding amounts rolled over into the account (now, unlimited deductions authorized only for contributions to the College Savings Pool, excluding rollovers). Amends the State Treasurer Act, the Baccalaureate Savings Act, and the Illinois Prepaid Tuition Act to remove language providing that (i) contributions to the Bright Start Program; (ii) contributions toward the purchase of the first \$25,000 of College Savings Bonds; and (iii) contributions toward the purchase of an Illinois Prepaid Tuition Contract, respectively, shall not be counted against the financial aid awarded by the Illinois Student Assistance Commission, the State, or any agency thereof. Effective immediately, except that the changes to the State Treasurer Act, the Baccalaureate Savings Act, and the Illinois Prepaid Tuition Act take effect on January 1, 2005.

LRB093 15099 SJM 40689 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning college savings.

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

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

6 (15 ILCS 505/16.5)

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

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

22 New accounts in the College Savings Pool shall be processed
23 through participating financial institutions. "Participating
24 financial institution", as used in this Section, means any
25 financial institution insured by the Federal Deposit Insurance
26 Corporation and lawfully doing business in the State of
27 Illinois and any credit union approved by the State Treasurer
28 and lawfully doing business in the State of Illinois that
29 agrees to process new accounts in the College Savings Pool.
30 Participating financial institutions may charge a processing
31 fee to participants to open an account in the pool that shall
32 not exceed \$30 until the year 2001. Beginning in 2001 and every

1 year thereafter, the maximum fee limit shall be adjusted by the
2 Treasurer based on the Consumer Price Index for the North
3 Central Region as published by the United States Department of
4 Labor, Bureau of Labor Statistics for the immediately preceding
5 calendar year. Every contribution received by a financial
6 institution for investment in the College Savings Pool shall be
7 transferred from the financial institution to a location
8 selected by the State Treasurer within one business day
9 following the day that the funds must be made available in
10 accordance with federal law. All communications from the State
11 Treasurer to participants shall reference the participating
12 financial institution at which the account was processed.

13 The Treasurer may invest the moneys in the College Savings
14 Pool in the same manner, in the same types of investments, and
15 subject to the same limitations provided for the investment of
16 moneys by the Illinois State Board of Investment. To enhance
17 the safety and liquidity of the College Savings Pool, to ensure
18 the diversification of the investment portfolio of the pool,
19 and in an effort to keep investment dollars in the State of
20 Illinois, the State Treasurer shall make a percentage of each
21 account available for investment in participating financial
22 institutions doing business in the State. The State Treasurer
23 shall deposit with the participating financial institution at
24 which the account was processed the following percentage of
25 each account at a prevailing rate offered by the institution,
26 provided that the deposit is federally insured or fully
27 collateralized and the institution accepts the deposit: 10% of
28 the total amount of each account for which the current age of
29 the beneficiary is less than 7 years of age, 20% of the total
30 amount of each account for which the beneficiary is at least 7
31 years of age and less than 12 years of age, and 50% of the total
32 amount of each account for which the current age of the
33 beneficiary is at least 12 years of age. The State Treasurer
34 shall adjust each account at least annually to ensure
35 compliance with this Section. The Treasurer shall develop,
36 publish, and implement an investment policy covering the

1 investment of the moneys in the College Savings Pool. The
2 policy shall be published (i) at least once each year in at
3 least one newspaper of general circulation in both Springfield
4 and Chicago and (ii) each year as part of the audit of the
5 College Savings Pool by the Auditor General, which shall be
6 distributed to all participants. The Treasurer shall notify all
7 participants in writing, and the Treasurer shall publish in a
8 newspaper of general circulation in both Chicago and
9 Springfield, any changes to the previously published
10 investment policy at least 30 calendar days before implementing
11 the policy. Any investment policy adopted by the Treasurer
12 shall be reviewed and updated if necessary within 90 days
13 following the date that the State Treasurer takes office.

14 Participants shall be required to use moneys distributed
15 from the College Savings Pool for qualified expenses at
16 eligible educational institutions. "Qualified expenses", as
17 used in this Section, means the following: (i) tuition, fees,
18 and the costs of books, supplies, and equipment required for
19 enrollment or attendance at an eligible educational
20 institution and (ii) certain room and board expenses incurred
21 while attending an eligible educational institution at least
22 half-time. "Eligible educational institutions", as used in
23 this Section, means public and private colleges, junior
24 colleges, graduate schools, and certain vocational
25 institutions that are described in Section 481 of the Higher
26 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to
27 participate in Department of Education student aid programs. A
28 student shall be considered to be enrolled at least half-time
29 if the student is enrolled for at least half the full-time
30 academic work load for the course of study the student is
31 pursuing as determined under the standards of the institution
32 at which the student is enrolled. Distributions made from the
33 pool for qualified expenses shall be made directly to the
34 eligible educational institution, directly to a vendor, or in
35 the form of a check payable to both the beneficiary and the
36 institution or vendor. Any moneys that are distributed in any

1 other manner or that are used for expenses other than qualified
2 expenses at an eligible educational institution shall be
3 subject to a penalty of 10% of the earnings unless the
4 beneficiary dies, becomes disabled, or receives a scholarship
5 that equals or exceeds the distribution. Penalties shall be
6 withheld at the time the distribution is made.

7 The Treasurer shall limit the contributions that may be
8 made on behalf of a designated beneficiary based on an
9 actuarial estimate of what is required to pay tuition, fees,
10 and room and board for 5 undergraduate years at the highest
11 cost eligible educational institution. The contributions made
12 on behalf of a beneficiary who is also a beneficiary under the
13 Illinois Prepaid Tuition Program shall be further restricted to
14 ensure that the contributions in both programs combined do not
15 exceed the limit established for the College Savings Pool. The
16 Treasurer shall provide the Illinois Student Assistance
17 Commission each year at a time designated by the Commission, an
18 electronic report of all participant accounts in the
19 Treasurer's College Savings Pool, listing total contributions
20 and disbursements from each individual account during the
21 previous calendar year. As soon thereafter as is possible
22 following receipt of the Treasurer's report, the Illinois
23 Student Assistance Commission shall, in turn, provide the
24 Treasurer with an electronic report listing those College
25 Savings Pool participants who also participate in the State's
26 prepaid tuition program, administered by the Commission. The
27 Commission shall be responsible for filing any combined tax
28 reports regarding State qualified savings programs required by
29 the United States Internal Revenue Service. The Treasurer shall
30 work with the Illinois Student Assistance Commission to
31 coordinate the marketing of the College Savings Pool and the
32 Illinois Prepaid Tuition Program when considered beneficial by
33 the Treasurer and the Director of the Illinois Student
34 Assistance Commission. The Treasurer's office shall not
35 publicize or otherwise market the College Savings Pool or
36 accept any moneys into the College Savings Pool prior to March

1, 2000. The Treasurer shall provide a separate accounting for each designated beneficiary to each participant, the Illinois Student Assistance Commission, and the participating financial institution at which the account was processed. No interest in the program may be pledged as security for a loan.

The assets of the College Savings Pool and its income and operation shall be exempt from all taxation by the State of Illinois and any of its subdivisions. The accrued earnings on investments in the Pool once disbursed on behalf of a designated beneficiary shall be similarly exempt from all taxation by the State of Illinois and its subdivisions, so long as they are used for qualified expenses. Contributions to a College Savings Pool account during the taxable year may be deducted from adjusted gross income as provided in Section 203 of the Illinois Income Tax Act. The provisions of this paragraph are exempt from Section 250 of the Illinois Income Tax Act.

The Treasurer shall adopt rules he or she considers necessary for the efficient administration of the College Savings Pool. The rules shall provide whatever additional parameters and restrictions are necessary to ensure that the College Savings Pool meets all of the requirements for a qualified state tuition program under Section 529 of the Internal Revenue Code (26 U.S.C. 529). The rules shall provide for the administration expenses of the pool to be paid from its earnings and for the investment earnings in excess of the expenses and all moneys collected as penalties to be credited or paid monthly to the several participants in the pool in a manner which equitably reflects the differing amounts of their respective investments in the pool and the differing periods of time for which those amounts were in the custody of the pool. Also, the rules shall require the maintenance of records that enable the Treasurer's office to produce a report for each account in the pool at least annually that documents the account balance and investment earnings. Notice of any proposed amendments to the rules and regulations shall be provided to

1 all participants prior to adoption. Amendments to rules and
2 regulations shall apply only to contributions made after the
3 adoption of the amendment.

4 Upon creating the College Savings Pool, the State Treasurer
5 shall give bond with 2 or more sufficient sureties, payable to
6 and for the benefit of the participants in the College Savings
7 Pool, in the penal sum of \$1,000,000, conditioned upon the
8 faithful discharge of his or her duties in relation to the
9 College Savings Pool.

10 ~~No contributions to the College Savings Pool authorized by~~
11 ~~this Section shall be considered in evaluating the financial~~
12 ~~situation of the designated beneficiary or be deemed a~~
13 ~~financial resource of or a form of financial aid or assistance~~
14 ~~to the designated beneficiary, for purposes of determining~~
15 ~~eligibility for any scholarship, grant, or monetary assistance~~
16 ~~awarded by the Illinois Student Assistance Commission, the~~
17 ~~State, or any agency thereof; nor shall contributions to the~~
18 ~~College Savings Pool reduce the amount of any scholarship,~~
19 ~~grant, or monetary assistance that the designated beneficiary~~
20 ~~is eligible to be awarded by the Illinois Student Assistance~~
21 ~~Commission, the State, or any agency thereof in accordance with~~
22 ~~the provisions of any State law.~~

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

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

27 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

28 Sec. 203. Base income defined.

29 (a) Individuals.

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

33 (2).

34 (2) Modifications. The adjusted gross income referred

1 to in paragraph (1) shall be modified by adding thereto the
2 sum 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 adjusted gross income, except
7 stock dividends of qualified public utilities
8 described in Section 305(e) of the Internal Revenue
9 Code;

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

14 (C) An amount equal to the amount received during
15 the taxable year as a recovery or refund of real
16 property taxes paid with respect to the taxpayer's
17 principal residence under the Revenue Act of 1939 and
18 for which a deduction was previously taken under
19 subparagraph (L) of this paragraph (2) prior to July 1,
20 1991, the retrospective application date of Article 4
21 of Public Act 87-17. In the case of multi-unit or
22 multi-use structures and farm dwellings, the taxes on
23 the taxpayer's principal residence shall be that
24 portion of the total taxes for the entire property
25 which is attributable to such principal residence;

26 (D) An amount equal to the amount of the capital
27 gain deduction allowable under the Internal Revenue
28 Code, to the extent deducted from gross income in the
29 computation of adjusted gross income;

30 (D-5) An amount, to the extent not included in
31 adjusted gross income, equal to the amount of money
32 withdrawn by the taxpayer in the taxable year from a
33 medical care savings account and the interest earned on
34 the account in the taxable year of a withdrawal
35 pursuant to subsection (b) of Section 20 of the Medical
36 Care Savings Account Act or subsection (b) of Section

1 20 of the Medical Care Savings Account Act of 2000;

2 (D-10) For taxable years ending after December 31,
3 1997, an amount equal to any eligible remediation costs
4 that the individual deducted in computing adjusted
5 gross income and for which the individual claims a
6 credit under subsection (l) of Section 201;

7 (D-15) 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 (D-16) If the taxpayer reports a capital gain or
14 loss on the taxpayer's federal income tax return for
15 the taxable year based on a sale or transfer of
16 property for which the taxpayer was required in any
17 taxable year to make an addition modification under
18 subparagraph (D-15), then an amount equal to the
19 aggregate amount of the deductions taken in all taxable
20 years under subparagraph (Z) 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;† and

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

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

36 (E) For taxable years ending before December 31,

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

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

1 thereto;

2 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

32 (S) An amount, to the extent included in adjusted
33 gross income, equal to the amount of a contribution
34 made in the taxable year on behalf of the taxpayer to a
35 medical care savings account established under the
36 Medical Care Savings Account Act or the Medical Care

1 Savings Account Act of 2000 to the extent the
2 contribution is accepted by the account administrator
3 as provided in that Act;

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

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

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

1 insurance subtracted under this item (V) shall be
2 determined by multiplying total health insurance and
3 long-term care insurance premiums paid by the taxpayer
4 times a number that represents the fractional
5 percentage of eligible medical expenses under Section
6 213 of the Internal Revenue Code of 1986 not actually
7 deducted on the taxpayer's federal income tax return;

8 (W) For taxable years beginning on or after January
9 1, 1998, all amounts included in the taxpayer's federal
10 gross income in the taxable year from amounts converted
11 from a regular IRA to a Roth IRA. This paragraph is
12 exempt from the provisions of Section 250;

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

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

10 (Y) For taxable years beginning on or after January
11 1, 2002 and ending on or before December 31, 2003,
12 moneys contributed in the taxable year to a College
13 Savings Pool account under Section 16.5 of the State
14 Treasurer Act, except that amounts excluded from gross
15 income under Section 529(c)(3)(C)(i) of the Internal
16 Revenue Code shall not be considered moneys
17 contributed under this subparagraph (Y). For taxable
18 years beginning on or after January 1, 2004, a maximum
19 of \$10,000 contributed in the taxable year to (i) a
20 College Savings Pool account under Section 16.5 of the
21 State Treasurer Act or (ii) the Illinois Prepaid
22 Tuition Trust Fund, except that amounts excluded from
23 gross income under Section 529(c)(3)(C)(i) of the
24 Internal Revenue Code shall not be considered moneys
25 contributed under this subparagraph (Y). This
26 subparagraph (Y) is exempt from the provisions of
27 Section 250;

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

35 (1) "y" equals the amount of the depreciation
36 deduction taken for the taxable year on the

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

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

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

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

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

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

29 (b) Corporations.

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

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

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

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

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

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

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

33 (i) the addition modification relating to the
34 net operating loss carried back or forward to the
35 taxable year from any taxable year ending prior to
36 December 31, 1986 shall be reduced by the amount of

1 addition modification under this subparagraph (E)
2 which related to that net operating loss and which
3 was taken into account in calculating the base
4 income of an earlier taxable year, and

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

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

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

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

28 (E-11) If the taxpayer reports a capital gain or
29 loss on the taxpayer's federal income tax return for
30 the taxable year based on a sale or transfer of
31 property for which the taxpayer was required in any
32 taxable year to make an addition modification under
33 subparagraph (E-10), then an amount equal to the
34 aggregate amount of the deductions taken in all taxable
35 years under subparagraph (T) with respect to that
36 property.†

1 The taxpayer is required to make the addition
2 modification under this subparagraph only once with
3 respect to any one piece of property;
4 and by deducting from the total so obtained the sum of the
5 following amounts:

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

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

11 (H) In the case of a regulated investment company,
12 an amount equal to the amount of exempt interest
13 dividends as defined in subsection (b) (5) of Section
14 852 of the Internal Revenue Code, paid to shareholders
15 for the taxable year;

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

30 (J) An amount equal to all amounts included in such
31 total which are exempt from taxation by this State
32 either by reason of its statutes or Constitution or by
33 reason of the Constitution, treaties or statutes of the
34 United States; provided that, in the case of any
35 statute of this State that exempts income derived from
36 bonds or other obligations from the tax imposed under

1 this Act, the amount exempted shall be the interest net
2 of bond premium amortization;

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

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

18 (M) For any taxpayer that is a financial
19 organization within the meaning of Section 304(c) of
20 this Act, an amount included in such total as interest
21 income from a loan or loans made by such taxpayer to a
22 borrower, to the extent that such a loan is secured by
23 property which is eligible for the Enterprise Zone
24 Investment Credit. To determine the portion of a loan
25 or loans that is secured by property eligible for a
26 Section 201(f) investment credit to the borrower, the
27 entire principal amount of the loan or loans between
28 the taxpayer and the borrower should be divided into
29 the basis of the Section 201(f) investment credit
30 property which secures the loan or loans, using for
31 this purpose the original basis of such property on the
32 date that it was placed in service in the Enterprise
33 Zone. The subtraction modification available to
34 taxpayer in any year under this subsection shall be
35 that portion of the total interest paid by the borrower
36 with respect to such loan attributable to the eligible

1 property as calculated under the previous sentence;

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

27 (N) Two times any contribution made during the
28 taxable year to a designated zone organization to the
29 extent that the contribution (i) qualifies as a
30 charitable contribution under subsection (c) of
31 Section 170 of the Internal Revenue Code and (ii) must,
32 by its terms, be used for a project approved by the
33 Department of Commerce and Economic Opportunity
34 ~~Community Affairs~~ under Section 11 of the Illinois
35 Enterprise Zone Act;

36 (O) An amount equal to: (i) 85% for taxable years

1 ending on or before December 31, 1992, or, a percentage
2 equal to the percentage allowable under Section
3 243(a)(1) of the Internal Revenue Code of 1986 for
4 taxable years ending after December 31, 1992, of the
5 amount by which dividends included in taxable income
6 and received from a corporation that is not created or
7 organized under the laws of the United States or any
8 state or political subdivision thereof, including, for
9 taxable years ending on or after December 31, 1988,
10 dividends received or deemed received or paid or deemed
11 paid under Sections 951 through 964 of the Internal
12 Revenue Code, exceed the amount of the modification
13 provided under subparagraph (G) of paragraph (2) of
14 this subsection (b) which is related to such dividends;
15 plus (ii) 100% of the amount by which dividends,
16 included in taxable income and received, including,
17 for taxable years ending on or after December 31, 1988,
18 dividends received or deemed received or paid or deemed
19 paid under Sections 951 through 964 of the Internal
20 Revenue Code, from any such corporation specified in
21 clause (i) that would but for the provisions of Section
22 1504 (b) (3) of the Internal Revenue Code be treated as
23 a member of the affiliated group which includes the
24 dividend recipient, exceed the amount of the
25 modification provided under subparagraph (G) of
26 paragraph (2) of this subsection (b) which is related
27 to such dividends;

28 (P) An amount equal to any contribution made to a
29 job training project established pursuant to the Tax
30 Increment Allocation Redevelopment Act;

31 (Q) An amount equal to the amount of the deduction
32 used to compute the federal income tax credit for
33 restoration of substantial amounts held under claim of
34 right for the taxable year pursuant to Section 1341 of
35 the Internal Revenue Code of 1986;

36 (R) In the case of an attorney-in-fact with respect

1 to whom an interinsurer or a reciprocal insurer has
2 made the election under Section 835 of the Internal
3 Revenue Code, 26 U.S.C. 835, an amount equal to the
4 excess, if any, of the amounts paid or incurred by that
5 interinsurer or reciprocal insurer in the taxable year
6 to the attorney-in-fact over the deduction allowed to
7 that interinsurer or reciprocal insurer with respect
8 to the attorney-in-fact under Section 835(b) of the
9 Internal Revenue Code for the taxable year;

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

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

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

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

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

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

15 The taxpayer is allowed to take the deduction under
16 this subparagraph only once with respect to any one
17 piece of property.

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

22 (c) Trusts and estates.

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

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

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

34 (B) In the case of (i) an estate, \$600; (ii) a
35 trust which, under its governing instrument, is

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

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

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

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

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

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

35 For taxable years in which there is a net operating
36 loss carryback or carryforward from more than one other

1 taxable year ending prior to December 31, 1986, the
2 addition modification provided in this subparagraph
3 (E) shall be the sum of the amounts computed
4 independently under the preceding provisions of this
5 subparagraph (E) for each such taxable year;

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

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

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

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

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

36 The taxpayer is required to make the addition

1 modification under this subparagraph only once with
2 respect to any one piece of property;

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

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

16 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

35 (1) "y" equals the amount of the depreciation
36 deduction taken for the taxable year on the

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

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

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

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

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

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

33 (d) Partnerships.

34 (1) In general. In the case of a partnership, base
35 income means an amount equal to the taxpayer's taxable

1 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

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

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

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

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

3 (E) The valuation limitation amount;

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

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

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

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

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

1 Code, as now or hereafter amended; and (ii) for taxable
2 years 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 Section
6 250;

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

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

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

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

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

1 thereafter, an amount equal to "x", where:

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

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

12 The aggregate amount deducted under this
13 subparagraph in all taxable years for any one piece of
14 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 the
17 taxpayer's federal income tax return under subsection
18 (k) of Section 168 of the Internal Revenue Code; and

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

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

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

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

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

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

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

1 (B) Certain other insurance companies. In the case
2 of mutual insurance companies subject to the tax
3 imposed by Section 831 of the Internal Revenue Code,
4 insurance company taxable income;

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

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

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

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

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

1 which are required by Section 1363(b)(1) of the
2 Internal Revenue Code to be separately stated; and (ii)
3 a Subchapter S corporation for which there is in effect
4 a federal election to opt out of the provisions of the
5 Subchapter S Revision Act of 1982 and have applied
6 instead the prior federal Subchapter S rules as in
7 effect on July 1, 1982, the taxable income of such
8 corporation determined in accordance with the federal
9 Subchapter S rules as in effect on July 1, 1982; and

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

17 (f) Valuation limitation amount.

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

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

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

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

35 (A) If the fair market value of property referred

1 to in paragraph (1) was readily ascertainable on August
2 1, 1969, the pre-August 1, 1969 appreciation amount for
3 such property is the lesser of (i) the excess of such
4 fair market value over the taxpayer's basis (for
5 determining gain) for such property on that date
6 (determined under the Internal Revenue Code as in
7 effect on that date), or (ii) the total gain realized
8 and reportable for federal income tax purposes in
9 respect of the sale, exchange or other disposition of
10 such property.

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

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

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

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

1 such taxable year, whether in respect of property values as of
2 August 1, 1969 or otherwise.

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

9 (110 ILCS 920/9 rep.) (from Ch. 144, par. 2409)

10 Section 15. The Baccalaureate Savings Act is amended by
11 repealing Section 9.

12 (110 ILCS 979/70 rep.)

13 Section 20. The Illinois Prepaid Tuition Act is amended by
14 repealing Section 70.

15 Section 99. Effective date. This Act takes effect upon
16 becoming law, except that Sections 5, 15, and 20 take effect on
17 January 1, 2005.