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LRB093 16179 SJM 47446 a

1 AMENDMENT TO SENATE BILL 2441

2 AMENDMENT NO. _____. Amend Senate Bill 2441 by replacing
3 the title with the following:

4 "AN ACT concerning college funding."; and

5 by replacing everything after the enacting clause with the
6 following:

7 "Section 5. The State Treasurer Act is amended by changing
8 Section 16.5 as follows:

9 (15 ILCS 505/16.5)

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

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

1 Savings Pool.

2 New accounts in the College Savings Pool may ~~shall~~ be
3 processed through participating financial institutions.
4 "Participating financial institution", as used in this
5 Section, means any financial institution insured by the Federal
6 Deposit Insurance Corporation and lawfully doing business in
7 the State of Illinois and any credit union approved by the
8 State Treasurer and lawfully doing business in the State of
9 Illinois that agrees to process new accounts in the College
10 Savings Pool. Participating financial institutions may charge
11 a processing fee to participants to open an account in the pool
12 that shall not exceed \$30 until the year 2001. Beginning in
13 2001 and every year thereafter, the maximum fee limit shall be
14 adjusted by the Treasurer based on the Consumer Price Index for
15 the North Central Region as published by the United States
16 Department of Labor, Bureau of Labor Statistics for the
17 immediately preceding calendar year. Every contribution
18 received by a financial institution for investment in the
19 College Savings Pool shall be transferred from the financial
20 institution to a location selected by the State Treasurer
21 within one business day following the day that the funds must
22 be made available in accordance with federal law. All
23 communications from the State Treasurer to participants shall
24 reference the participating financial institution at which the
25 account was processed.

26 The Treasurer may invest the moneys in the College Savings
27 Pool in the same manner, in the same types of investments, and
28 subject to the same limitations provided for the investment of
29 moneys by the Illinois State Board of Investment. To enhance
30 the safety and liquidity of the College Savings Pool, to ensure
31 the diversification of the investment portfolio of the pool,
32 and in an effort to keep investment dollars in the State of
33 Illinois, the State Treasurer may ~~shall~~ make a percentage of
34 each account available for investment in participating

1 financial institutions doing business in the State. The State
2 Treasurer may ~~shall~~ deposit with the participating financial
3 institution at which the account was processed the following
4 percentage of each account at a prevailing rate offered by the
5 institution, provided that the deposit is federally insured or
6 fully collateralized and the institution accepts the deposit:
7 10% of the total amount of each account for which the current
8 age of the beneficiary is less than 7 years of age, 20% of the
9 total amount of each account for which the beneficiary is at
10 least 7 years of age and less than 12 years of age, and 50% of
11 the total amount of each account for which the current age of
12 the beneficiary is at least 12 years of age. ~~The State~~
13 ~~Treasurer shall adjust each account at least annually to ensure~~
14 ~~compliance with this Section.~~ The Treasurer shall develop,
15 publish, and implement an investment policy covering the
16 investment of the moneys in the College Savings Pool. The
17 policy shall be published (i) at least once each year in at
18 least one newspaper of general circulation in both Springfield
19 and Chicago and (ii) each year as part of the audit of the
20 College Savings Pool by the Auditor General, which shall be
21 distributed to all participants. The Treasurer shall notify all
22 participants in writing, and the Treasurer shall publish in a
23 newspaper of general circulation in both Chicago and
24 Springfield, any changes to the previously published
25 investment policy at least 30 calendar days before implementing
26 the policy. Any investment policy adopted by the Treasurer
27 shall be reviewed and updated if necessary within 90 days
28 following the date that the State Treasurer takes office.

29 Participants shall be required to use moneys distributed
30 from the College Savings Pool for qualified expenses at
31 eligible educational institutions. "Qualified expenses", as
32 used in this Section, means the following: (i) tuition, fees,
33 and the costs of books, supplies, and equipment required for
34 enrollment or attendance at an eligible educational

1 institution and (ii) certain room and board expenses incurred
2 while attending an eligible educational institution at least
3 half-time. "Eligible educational institutions", as used in
4 this Section, means public and private colleges, junior
5 colleges, graduate schools, and certain vocational
6 institutions that are described in Section 481 of the Higher
7 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to
8 participate in Department of Education student aid programs. A
9 student shall be considered to be enrolled at least half-time
10 if the student is enrolled for at least half the full-time
11 academic work load for the course of study the student is
12 pursuing as determined under the standards of the institution
13 at which the student is enrolled. Distributions made from the
14 pool for qualified expenses shall be made directly to the
15 eligible educational institution, directly to a vendor, or in
16 the form of a check payable to both the beneficiary and the
17 institution or vendor. Any moneys that are distributed in any
18 other manner or that are used for expenses other than qualified
19 expenses at an eligible educational institution shall be
20 subject to a penalty of 10% of the earnings unless the
21 beneficiary dies, becomes disabled, or receives a scholarship
22 that equals or exceeds the distribution. Penalties shall be
23 withheld at the time the distribution is made.

24 The Treasurer shall limit the contributions that may be
25 made on behalf of a designated beneficiary based on an
26 actuarial estimate of what is required to pay tuition, fees,
27 and room and board for 5 undergraduate years at the highest
28 cost eligible educational institution. The contributions made
29 on behalf of a beneficiary who is also a beneficiary under the
30 Illinois Prepaid Tuition Program shall be further restricted to
31 ensure that the contributions in both programs combined do not
32 exceed the limit established for the College Savings Pool. The
33 Treasurer shall provide the Illinois Student Assistance
34 Commission each year at a time designated by the Commission, an

1 electronic report of all participant accounts in the
2 Treasurer's College Savings Pool, listing total contributions
3 and disbursements from each individual account during the
4 previous calendar year. As soon thereafter as is possible
5 following receipt of the Treasurer's report, the Illinois
6 Student Assistance Commission shall, in turn, provide the
7 Treasurer with an electronic report listing those College
8 Savings Pool participants who also participate in the State's
9 prepaid tuition program, administered by the Commission. The
10 Commission shall be responsible for filing any combined tax
11 reports regarding State qualified savings programs required by
12 the United States Internal Revenue Service. The Treasurer shall
13 work with the Illinois Student Assistance Commission to
14 coordinate the marketing of the College Savings Pool and the
15 Illinois Prepaid Tuition Program when considered beneficial by
16 the Treasurer and the Director of the Illinois Student
17 Assistance Commission. The Treasurer's office shall not
18 publicize or otherwise market the College Savings Pool or
19 accept any moneys into the College Savings Pool prior to March
20 1, 2000. The Treasurer shall provide a separate accounting for
21 each designated beneficiary to each participant, the Illinois
22 Student Assistance Commission, and the participating financial
23 institution at which the account was processed. No interest in
24 the program may be pledged as security for a loan.

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

1 paragraph are exempt from Section 250 of the Illinois Income
2 Tax Act.

3 The Treasurer shall adopt rules he or she considers
4 necessary for the efficient administration of the College
5 Savings Pool. The rules shall provide whatever additional
6 parameters and restrictions are necessary to ensure that the
7 College Savings Pool meets all of the requirements for a
8 qualified state tuition program under Section 529 of the
9 Internal Revenue Code (26 U.S.C. 529). The rules shall provide
10 for the administration expenses of the pool to be paid from its
11 earnings and for the investment earnings in excess of the
12 expenses and all moneys collected as penalties to be credited
13 or paid monthly to the several participants in the pool in a
14 manner which equitably reflects the differing amounts of their
15 respective investments in the pool and the differing periods of
16 time for which those amounts were in the custody of the pool.
17 The rules shall provide that the College Savings Pool may not
18 offer a share class with a sales load exceeding 4%. Also, the
19 rules shall require the maintenance of records that enable the
20 Treasurer's office to produce a report for each account in the
21 pool at least annually that documents the account balance and
22 investment earnings. Notice of any proposed amendments to the
23 rules and regulations shall be provided to all participants
24 prior to adoption. Amendments to rules and regulations shall
25 apply only to contributions made after the adoption of the
26 amendment.

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

33 ~~No contributions to the College Savings Pool authorized by~~
34 ~~this Section shall be considered in evaluating the financial~~

~~situation of the designated beneficiary or be deemed a financial resource of or a form of financial aid or assistance to the designated beneficiary, for purposes of determining eligibility for any scholarship, grant, or monetary assistance awarded by the Illinois Student Assistance Commission, the State, or any agency thereof; nor shall contributions to the College Savings Pool reduce the amount of any scholarship, grant, or monetary assistance that the designated beneficiary is eligible to be awarded by the Illinois Student Assistance Commission, the State, or any agency thereof in accordance with the provisions of any State law.~~

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

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

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

Sec. 203. Base income defined.

(a) Individuals.

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

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

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

1 (B) An amount equal to the amount of tax imposed by
2 this Act to the extent deducted from gross income in
3 the computation of adjusted gross income for the
4 taxable year;

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

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

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

29 (D-10) For taxable years ending after December 31,
30 1997, an amount equal to any eligible remediation costs
31 that the individual deducted in computing adjusted
32 gross income and for which the individual claims a
33 credit under subsection (1) of Section 201;

34 (D-15) For taxable years 2001 and thereafter, an

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

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

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

18 (D-20) ~~(D-15)~~ For taxable years beginning on or
19 after January 1, 2002 and ending on or before December
20 31, 2003, in the case of a distribution from a
21 qualified tuition program under Section 529 of the
22 Internal Revenue Code, other than (i) a distribution
23 from a College Savings Pool created under Section 16.5
24 of the State Treasurer Act or (ii) a distribution from
25 the Illinois Prepaid Tuition Trust Fund, an amount
26 equal to the amount excluded from gross income under
27 Section 529(c)(3)(B). For taxable years beginning on
28 or after January 1, 2004, in the case of a distribution
29 from a qualified tuition program under Section 529 of
30 the Internal Revenue Code, other than (i) a
31 distribution from a College Savings Pool created under
32 Section 16.5 of the State Treasurer Act, (ii) a
33 distribution from the Illinois Prepaid Tuition Trust
34 Fund, or (iii) a distribution from a qualified tuition

1 program under Section 529 of the Internal Revenue Code
2 that is administered by a state that exempts from its
3 income tax moneys distributed from a qualified tuition
4 program administered by the State of Illinois and which
5 program does not offer a share class with a sales load
6 exceeding 4%, an amount equal to the amount excluded
7 from gross income under Section 529(c) (3) (B);

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

10 (E) For taxable years ending before December 31,
11 2001, any amount included in such total in respect of
12 any compensation (including but not limited to any
13 compensation paid or accrued to a serviceman while a
14 prisoner of war or missing in action) paid to a
15 resident by reason of being on active duty in the Armed
16 Forces of the United States and in respect of any
17 compensation paid or accrued to a resident who as a
18 governmental employee was a prisoner of war or missing
19 in action, and in respect of any compensation paid to a
20 resident in 1971 or thereafter for annual training
21 performed pursuant to Sections 502 and 503, Title 32,
22 United States Code as a member of the Illinois National
23 Guard. For taxable years ending on or after December
24 31, 2001, any amount included in such total in respect
25 of any compensation (including but not limited to any
26 compensation paid or accrued to a serviceman while a
27 prisoner of war or missing in action) paid to a
28 resident by reason of being a member of any component
29 of the Armed Forces of the United States and in respect
30 of any compensation paid or accrued to a resident who
31 as a governmental employee was a prisoner of war or
32 missing in action, and in respect of any compensation
33 paid to a resident in 2001 or thereafter by reason of
34 being a member of the Illinois National Guard. The

1 provisions of this amendatory Act of the 92nd General
2 Assembly are exempt from the provisions of Section 250;

3 (F) An amount equal to all amounts included in such
4 total pursuant to the provisions of Sections 402(a),
5 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
6 Internal 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 (G) The valuation limitation amount;

15 (H) 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 (I) An amount equal to all amounts included in such
19 total pursuant to the provisions of Section 111 of the
20 Internal Revenue Code as a recovery of items previously
21 deducted from adjusted gross income in the computation
22 of taxable income;

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

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

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

4 (L) For taxable years ending after December 31,
5 1983, an amount equal to all social security benefits
6 and railroad retirement benefits included in such
7 total pursuant to Sections 72(r) and 86 of the Internal
8 Revenue Code;

9 (M) With the exception of any amounts subtracted
10 under subparagraph (N), an amount equal to the sum of
11 all amounts disallowed as deductions by (i) Sections
12 171(a) (2), and 265(2) of the Internal Revenue Code of
13 1954, as now or hereafter amended, and all amounts of
14 expenses allocable to interest and disallowed as
15 deductions by Section 265(1) of the Internal Revenue
16 Code of 1954, as now or hereafter amended; and (ii) for
17 taxable years ending on or after August 13, 1999,
18 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
19 the Internal Revenue Code; the provisions of this
20 subparagraph are exempt from the provisions of Section
21 250;

22 (N) An amount equal to all amounts included in such
23 total which are exempt from taxation by this State
24 either by reason of its statutes or Constitution or by
25 reason of the Constitution, treaties or statutes of the
26 United States; provided that, in the case of any
27 statute of this State that exempts income derived from
28 bonds or other obligations from the tax imposed under
29 this Act, the amount exempted shall be the interest net
30 of bond premium amortization;

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

34 (P) An amount equal to the amount of the deduction

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

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

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

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

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

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

33 (V) Beginning with tax years ending on or after
34 December 31, 1995 and ending with tax years ending on

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

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

31 (X) 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

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

30 (Y) For taxable years beginning on or after January
31 1, 2002 and ending on or before December 31, 2004,
32 moneys contributed in the taxable year to a College
33 Savings Pool account under Section 16.5 of the State
34 Treasurer Act, except that amounts excluded from gross

1 income under Section 529(c)(3)(C)(i) of the Internal
2 Revenue Code shall not be considered moneys
3 contributed under this subparagraph (Y). For taxable
4 years beginning on or after January 1, 2005, a maximum
5 of \$10,000 contributed in the taxable year to (i) a
6 College Savings Pool account under Section 16.5 of the
7 State Treasurer Act or (ii) the Illinois Prepaid
8 Tuition Trust Fund, except that amounts excluded from
9 gross income under Section 529(c)(3)(C)(i) of the
10 Internal Revenue Code shall not be considered moneys
11 contributed under this subparagraph (Y). This
12 subparagraph (Y) is exempt from the provisions of
13 Section 250;

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

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

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

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

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

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

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

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

17 (b) Corporations.

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

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

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

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

32 (C) In the case of a regulated investment company,
33 an amount equal to the excess of (i) the net long-term

1 capital gain for the taxable year, over (ii) the amount
2 of the capital gain dividends designated as such in
3 accordance with Section 852(b)(3)(C) of the Internal
4 Revenue Code and any amount designated under Section
5 852(b)(3)(D) of the Internal Revenue Code,
6 attributable to the taxable year (this amendatory Act
7 of 1995 (Public Act 89-89) is declarative of existing
8 law and is not a new enactment);

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

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

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

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

1 such carryback or carryforward;

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

9 (E-5) For taxable years ending after December 31,
10 1997, an amount equal to any eligible remediation costs
11 that the corporation deducted in computing adjusted
12 gross income and for which the corporation claims a
13 credit under subsection (l) of Section 201;

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

20 (E-11) If the taxpayer reports a capital gain or
21 loss on the taxpayer's federal income tax return for
22 the taxable year based on a sale or transfer of
23 property for which the taxpayer was required in any
24 taxable year to make an addition modification under
25 subparagraph (E-10), then an amount equal to the
26 aggregate amount of the deductions taken in all taxable
27 years under subparagraph (T) with respect to that
28 property.†

29 The taxpayer is required to make the addition
30 modification under this subparagraph only once with
31 respect to any one piece of property;

32 and by deducting from the total so obtained the sum of the
33 following amounts:

34 (F) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the taxpayer
2 and included in such total for the taxable year;

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

5 (H) In the case of a regulated investment company,
6 an amount equal to the amount of exempt interest
7 dividends as defined in subsection (b) (5) of Section
8 852 of the Internal Revenue Code, paid to shareholders
9 for the taxable year;

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

24 (J) An amount equal to all amounts included in such
25 total which are exempt from taxation by this State
26 either by reason of its statutes or Constitution or by
27 reason of the Constitution, treaties or statutes of the
28 United States; provided that, in the case of any
29 statute of this State that exempts income derived from
30 bonds or other obligations from the tax imposed under
31 this Act, the amount exempted shall be the interest net
32 of bond premium amortization;

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

1 conducts business operations in an Enterprise Zone or
2 zones created under the Illinois Enterprise Zone Act
3 and conducts substantially all of its operations in an
4 Enterprise Zone or zones;

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

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

34 (M-1) For any taxpayer that is a financial

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

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

34 (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

1 the Internal Revenue Code of 1986;

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

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

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

29 (1) "y" equals the amount of the depreciation
30 deduction taken for the taxable year on the
31 taxpayer's federal income tax return on property
32 for which the bonus depreciation deduction (30% of
33 the adjusted basis of the qualified property) was
34 taken in any year under subsection (k) of Section

1 168 of the Internal Revenue Code, but not including
2 the bonus depreciation deduction; and

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

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

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

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

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

26 (c) Trusts and estates.

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

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

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

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

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

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

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

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

1 income of an earlier taxable year, and

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

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

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

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

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

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

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

10 The taxpayer is required to make the addition
11 modification under this subparagraph only once with
12 respect to any one piece of property;
13 and by deducting from the total so obtained the sum of the
14 following amounts:

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

26 (I) The valuation limitation amount;

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

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

7 (L) With the exception of any amounts subtracted
8 under subparagraph (K), an amount equal to the sum of
9 all amounts disallowed as deductions by (i) Sections
10 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
11 as now or hereafter amended, and all amounts of
12 expenses allocable to interest and disallowed as
13 deductions by Section 265(1) of the Internal Revenue
14 Code of 1954, as now or hereafter amended; and (ii) for
15 taxable years ending on or after August 13, 1999,
16 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
17 the Internal Revenue Code; the provisions of this
18 subparagraph are exempt from the provisions of Section
19 250;

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

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

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

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

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

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

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

8 (R) For taxable years 2001 and thereafter, for the
9 taxable year in which the bonus depreciation deduction
10 (30% of the adjusted basis of the qualified property)
11 is taken on the taxpayer's federal income tax return
12 under subsection (k) of Section 168 of the Internal
13 Revenue Code and for each applicable taxable year
14 thereafter, an amount equal to "x", where:

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

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

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

32 (S) If the taxpayer reports a capital gain or loss
33 on the taxpayer's federal income tax return for the
34 taxable year based on a sale or transfer of property

1 for which the taxpayer was required in any taxable year
2 to make an addition modification under subparagraph
3 (G-10), then an amount equal to that addition
4 modification.

5 The taxpayer is allowed to take the deduction under
6 this subparagraph only once with respect to any one
7 piece of property.

8 (3) Limitation. The amount of any modification
9 otherwise required under this subsection shall, under
10 regulations prescribed by the Department, be adjusted by
11 any amounts included therein which were properly paid,
12 credited, or required to be distributed, or permanently set
13 aside for charitable purposes pursuant to Internal Revenue
14 Code Section 642(c) during the taxable year.

15 (d) Partnerships.

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

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

22 (A) An amount equal to all amounts paid or accrued
23 to the taxpayer as interest or dividends during the
24 taxable year to the extent excluded from gross income
25 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 for
28 the taxable year;

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

32 (D) An amount equal to the amount of the capital
33 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the
2 computation of taxable income;

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

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

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

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

23 (E) The valuation limitation amount;

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

27 (G) An amount equal to all amounts included in
28 taxable income as modified by subparagraphs (A), (B),
29 (C) and (D) which are exempt from taxation by this
30 State either by reason of its statutes or Constitution
31 or by reason of the Constitution, treaties or statutes
32 of the United States; provided that, in the case of any
33 statute of this State that exempts income derived from
34 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 (H) Any income of the partnership which
4 constitutes personal service income as defined in
5 Section 1348 (b) (1) of the Internal Revenue Code (as
6 in effect December 31, 1981) or a reasonable allowance
7 for compensation paid or accrued for services rendered
8 by partners to the partnership, whichever is greater;

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

16 (J) With the exception of any amounts subtracted
17 under subparagraph (G), an amount equal to the sum of
18 all amounts disallowed as deductions by (i) Sections
19 171(a) (2), and 265(2) of the Internal Revenue Code of
20 1954, as now or hereafter amended, and all amounts of
21 expenses allocable to interest and disallowed as
22 deductions by Section 265(1) of the Internal Revenue
23 Code, as now or hereafter amended; and (ii) for taxable
24 years ending on or after August 13, 1999, Sections
25 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the
26 Internal Revenue Code; the provisions of this
27 subparagraph are exempt from the provisions of Section
28 250;

29 (K) An amount equal to those dividends included in
30 such total which were paid by a corporation which
31 conducts business operations in an Enterprise Zone or
32 zones created under the Illinois Enterprise Zone Act,
33 enacted by the 82nd General Assembly, and conducts
34 substantially all of its operations in an Enterprise

1 Zone or Zones;

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

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

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

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

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

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

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

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

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

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

20 (1) In general. Subject to the provisions of paragraph
21 (2) and subsection (b) (3), for purposes of this Section
22 and Section 803(e), a taxpayer's gross income, adjusted
23 gross income, or taxable income for the taxable year shall
24 mean the amount of gross income, adjusted gross income or
25 taxable income properly reportable for federal income tax
26 purposes for the taxable year under the provisions of the
27 Internal Revenue Code. Taxable income may be less than
28 zero. However, for taxable years ending on or after
29 December 31, 1986, net operating loss carryforwards from
30 taxable years ending prior to December 31, 1986, may not
31 exceed the sum of federal taxable income for the taxable
32 year before net operating loss deduction, plus the excess
33 of addition modifications over subtraction modifications

1 for the taxable year. For taxable years ending prior to
2 December 31, 1986, taxable income may never be an amount in
3 excess of the net operating loss for the taxable year as
4 defined in subsections (c) and (d) of Section 172 of the
5 Internal Revenue Code, provided that when taxable income of
6 a corporation (other than a Subchapter S corporation),
7 trust, or estate is less than zero and addition
8 modifications, other than those provided by subparagraph
9 (E) of paragraph (2) of subsection (b) for corporations or
10 subparagraph (E) of paragraph (2) of subsection (c) for
11 trusts and estates, exceed subtraction modifications, an
12 addition modification must be made under those
13 subparagraphs for any other taxable year to which the
14 taxable income less than zero (net operating loss) is
15 applied under Section 172 of the Internal Revenue Code or
16 under subparagraph (E) of paragraph (2) of this subsection
17 (e) applied in conjunction with Section 172 of the Internal
18 Revenue Code.

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

22 (A) Certain life insurance companies. In the case
23 of a life insurance company subject to the tax imposed
24 by Section 801 of the Internal Revenue Code, life
25 insurance company taxable income, plus the amount of
26 distribution from pre-1984 policyholder surplus
27 accounts as calculated under Section 815a of the
28 Internal Revenue Code;

29 (B) Certain other insurance companies. In the case
30 of mutual insurance companies subject to the tax
31 imposed by Section 831 of the Internal Revenue Code,
32 insurance company taxable income;

33 (C) Regulated investment companies. In the case of
34 a regulated investment company subject to the tax

1 imposed by Section 852 of the Internal Revenue Code,
2 investment company taxable income;

3 (D) Real estate investment trusts. In the case of a
4 real estate investment trust subject to the tax imposed
5 by Section 857 of the Internal Revenue Code, real
6 estate investment trust taxable income;

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

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

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

1 Subchapter S Revision Act of 1982 and have applied
2 instead the prior federal Subchapter S rules as in
3 effect on July 1, 1982, the taxable income of such
4 corporation determined in accordance with the federal
5 Subchapter S rules as in effect on July 1, 1982; and

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

13 (f) Valuation limitation amount.

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

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

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

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

31 (A) If the fair market value of property referred
32 to in paragraph (1) was readily ascertainable on August
33 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

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."