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1 AMENDMENT TO HOUSE BILL 1577

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 1577 by replacing  
3 everything after the enacting clause with the following:

4 "Section 1. Short title. This Act may be cited as the  
5 Opportunity Scholarship Act.

6 Section 5. Findings and declaration of policy. The General  
7 Assembly finds and declares the following:

8 (1) By honoring the provision of the Illinois  
9 Constitution that a "fundamental goal of the People of the  
10 State is the educational development of all persons to the  
11 limits of their capacities" and in accepting the  
12 responsibilities under the Bill of Rights (Article I) of  
13 the Illinois Constitution to protect the personal inherent  
14 and inalienable rights of all its citizens to due process  
15 of law and equal protection of the laws, the educational  
16 development of every elementary and secondary school  
17 student serves the public purposes of this State.

18 (2) The freedom of custodians to choose for their  
19 children schools acceptable to their personal educational  
20 convictions is an inherent and inalienable personal right  
21 under the Illinois and federal constitutions; the personal  
22 rights of custodians to such academic freedom stands on its  
23 own constitutional merits; and the imposition on families  
24 of the compulsory education law imposes grave

1 responsibilities on the General Assembly to safeguard the  
2 academic freedom of choice of schools of custodians and  
3 students.

4 (3) There is a crisis in the elementary and secondary  
5 education programs in Illinois. Many schools and their  
6 pupils are performing significantly below relevant  
7 national standards and are unable to access functions of  
8 federal and State law designed to improve their  
9 performance. Consequently, many pupils are dropping out of  
10 school before completing the ordinary course of secondary  
11 education or are leaving school without the basic skills  
12 and knowledge that will enable them to find and hold a job  
13 or otherwise become functioning, productive members of our  
14 society.

15 (4) Throughout Illinois there are many public and  
16 nonpublic schools and independent education services  
17 competently and efficiently educating or contributing to  
18 the education of children. Most pupils in those schools or  
19 receiving those services perform at or above relevant  
20 national standards, complete their secondary education,  
21 and matriculate to institutions of higher education at an  
22 extremely high rate. These services and schools should be  
23 accessible to all and should enjoy a cooperative  
24 relationship with public school districts, schools, and  
25 employees of this State.

26 (5) Custodians of school age children in Illinois are  
27 frequently unable to enroll their children in schools that  
28 will provide them a quality education or to access  
29 educational programs before or after school. Sometimes  
30 this inability is due to laws, rules, or administrative  
31 decisions that limit parents' freedom to select schools  
32 that they believe can provide their children with a quality  
33 education. Sometimes this inability is due to the parents'  
34 lack of standing to influence the educational policies and

1 procedures of the schools their children attend or lack of  
2 funds to pay for a quality education.

3 (6) Adopting a pilot opportunity scholarship program  
4 in Illinois would enable parents to select schools or  
5 services they believe will provide a quality education for  
6 their children, empower them to influence the educational  
7 policies and procedures in the schools their children  
8 attend, and provide them with at least a portion of the  
9 funds necessary to pay for a quality education. Such a  
10 program would help alleviate the crisis in the public  
11 school system, assist Illinois children in becoming  
12 productive members of society, and test a new approach to  
13 education.

14 (7) The provisions of this Act are in the public  
15 interest, for the public benefit, and serve a secular  
16 public purpose.

17 Section 10. Definitions. As used in this Act:

18 "Base year" means the 2006-2007 school year.

19 "Custodian" means, with respect to a qualifying pupil, a  
20 parent or legal guardian:

21 (1) who is a resident of this State; and

22 (2) whose gross family income does not exceed 300% of  
23 the poverty guidelines updated periodically in the Federal  
24 Register by the U.S. Department of Health and Human  
25 Services.

26 "Qualified education expenses" means costs reasonably  
27 incurred on behalf of a qualifying pupil for the services of a  
28 participating tutoring agency or for services of a  
29 participating school in which the qualifying pupil is enrolled  
30 during the regular school year. Qualified education expenses  
31 does not include costs incurred for supplies or  
32 extra-curricular activities.

33 "Qualifying pupil" means an individual who:

1 (1) is a resident of this State;

2 (2) is under the age of 21 at the close of the school  
3 year for which a scholarship is sought; and

4 (3) during the school year for which a scholarship is  
5 sought, is a full-time pupil enrolled in a kindergarten  
6 through 12th grade education program at any school as  
7 defined in this Act.

8 "School" means any public or nonpublic elementary or  
9 secondary school in this State that elects to participate in  
10 the scholarship program established under this Act and does not  
11 discriminate on the basis of race, color, or national origin  
12 under Title VI of the Civil Rights Act of 1964 and attendance  
13 at which satisfies the requirements of Section 26-1 of the  
14 School Code, except that nothing in Section 26-1 shall be  
15 construed to require a child to attend any particular public or  
16 nonpublic school.

17 "School Opportunity Scholarship" means a written  
18 instrument issued by the State Board of Education directly to  
19 the custodian of a qualifying pupil. The instrument shall be  
20 for a sum certain to be paid within a designated period of  
21 time. The custodian may present the instrument only to a  
22 participating school as payment for qualified education  
23 expenses incurred on behalf of the qualifying pupil.

24 "Tutoring agency" means any entity that elects to  
25 participate in the scholarship program and is approved by the  
26 State Board of Education for providing tutoring to qualifying  
27 pupils.

28 "Tutoring Opportunity Scholarship" means a written  
29 instrument with which a custodian of a qualifying pupil may pay  
30 a participating tutoring agency for qualified education  
31 expenses incurred on behalf of the qualifying pupil. The  
32 scholarship shall require the State Board of Education to pay  
33 the participating tutoring agency a sum certain within a  
34 designated time period.

1           Section 15. Establishment of program. There is established  
2 the Opportunity Scholarship Program. Under the program, after  
3 the base year, a custodian of a qualifying pupil shall be  
4 entitled to his or her choice of a Tutoring Opportunity  
5 Scholarship for payment of qualified education expenses  
6 incurred on behalf of the qualifying pupil for the services of  
7 a participating tutoring agency or a School Opportunity  
8 Scholarship for payment of qualified education expenses  
9 incurred on behalf of the qualifying pupil at any participating  
10 school in which the qualifying pupil is enrolled. A qualifying  
11 pupil shall be entitled to enroll at and attend any  
12 participating public or nonpublic school of his or her choice.  
13 Each school year, no more than half of new Tutoring or School  
14 Opportunity Scholarships awarded may go to custodians whose  
15 children were previously enrolled in a nonpublic school.

16           Section 20. Notification of scholarships. The principal of  
17 each school in this State shall notify custodians of qualifying  
18 pupils that scholarships under this Act are available for the  
19 next school year. Notification shall occur in January of each  
20 school year beginning with the base year.

21           Section 25. Request for scholarship. A custodian who  
22 applies in accordance with procedures established by the State  
23 Board of Education shall receive the chosen scholarship under  
24 this Act within the dollar limits set out in this Act. The  
25 procedure shall require application for the scholarship, with  
26 documentation as to eligibility, between March 1 and May 1  
27 prior to the school year in which the scholarship is to be  
28 used.

29           Section 30. Issuance and payment of scholarship. A  
30 scholarship may only be issued to a custodian who has made

1 proper application pursuant to Section 25 of this Act. The  
2 custodian shall present the scholarship to a participating  
3 tutoring agency or school of his or her choice as payment for  
4 qualified education expenses. Upon presentment, the State  
5 Board of Education shall honor the scholarship and, as issuer  
6 of the instrument, pay the participating tutoring agency or  
7 school in accordance with procedures established by the State  
8 Board of Education. The procedures shall require all of the  
9 following:

10 (1) that the applying custodian be notified of the  
11 scholarship award by August 1 of the school year in which  
12 the scholarship is to be used;

13 (2) that the scholarship instrument be issued to the  
14 custodian no later than September 15 of the school year in  
15 which the scholarship is to be used;

16 (3) that the custodian present the scholarship  
17 instrument to the participating tutoring agency or school  
18 no later than October 1 of the school year in which the  
19 scholarship is to be used;

20 (4) that the participating tutoring agency or school  
21 present the scholarship instrument, with proof of service  
22 to the custodian of the qualifying pupil, to the State  
23 Board of Education no later than October 31 of the school  
24 year in which the scholarship is to be used;

25 (5) that the State Board of Education shall honor the  
26 scholarship instrument and as issuer pay the participating  
27 tutoring agency or school no later than December 31 of the  
28 school year in which the scholarship is to be used; and

29 (6) that participating tutoring agencies or schools  
30 must not be required to accept scholarships as full payment  
31 for services but neither shall they charge scholarship  
32 pupils tuition or any other educational expenses at a  
33 higher rate than other pupils.

1           Section 35. Amount of scholarship. A Tutoring Opportunity  
2 Scholarship for qualified education expenses incurred through  
3 participating tutoring agencies during any school year after  
4 the base year shall be for the lesser of (i) \$500 or (ii) the  
5 actual qualified education expenses related to the qualifying  
6 pupil's tutoring. A School Opportunity Scholarship for  
7 qualified education expenses incurred through participating  
8 schools during any school year after the base year shall be for  
9 the lesser of (i) \$3,500 or (ii) the actual qualified education  
10 expenses related to the qualifying pupil's enrollment.

11           Section 40. Renewal of scholarship. Tutoring and School  
12 Opportunity Scholarships shall be renewable every year through  
13 grade 12 so long as the qualifying pupil and custodian continue  
14 to remain eligible pursuant to Section 10 of this Act.

15           Section 45. Assessment. All pupils receiving services  
16 obtained through Opportunity Scholarships shall be assessed  
17 annually. Participating schools shall be responsible for  
18 administering the assessments and reporting the results to the  
19 State Board of Education.

20           Section 50. Funding. In no year may the total amount of  
21 scholarships paid under the provisions of this Act exceed  
22 \$15,000,000. If the amount needed to fund scholarships for all  
23 qualifying pupils exceeds \$15,000,000 in any year, the State  
24 Board of Education shall determine an equitable way to allocate  
25 the \$15,000,000 among the qualifying pupils consistent with the  
26 stated purpose and policy of this Act.

27           Section 55. Not base income. The amount of any scholarship  
28 redeemed under this Act shall not be considered base income  
29 under subsection (a) of Section 203 of the Illinois Income Tax  
30 Act and shall not be taxable for Illinois income tax purposes.

1           Section 65. Penalties. It shall be a Class 3 felony to use  
2 or attempt to use a scholarship under this Act for any purpose  
3 other than those permitted by this Act. It shall also be a  
4 Class 3 felony for any person, with intent to defraud, to  
5 knowingly forge, alter, or misrepresent information on a  
6 scholarship application or on any documents submitted in  
7 application for a scholarship, to deliver any such document  
8 knowing it to have been thus forged, altered, or based on  
9 misrepresentation, or to possess, with intent to issue or  
10 deliver, any such document knowing it to have been thus forged,  
11 altered, or based on misrepresentation.

12           Section 70. Rules. The State Board of Education shall adopt  
13 rules to implement this Act. The creation of the Opportunity  
14 Scholarship Program does not expand the regulatory authority of  
15 the State, its officers, or any school district to impose any  
16 additional regulation of nonpublic schools beyond those  
17 reasonably necessary to enforce the requirements of the  
18 program.

19           Section 900. The Illinois Income Tax Act is amended by  
20 changing Section 203 as follows:

21           (35 ILCS 5/203) (from Ch. 120, par. 2-203)

22           Sec. 203. Base income defined.

23           (a) Individuals.

24           (1) In general. In the case of an individual, base  
25 income means an amount equal to the taxpayer's adjusted  
26 gross income for the taxable year as modified by paragraph  
27 (2).

28           (2) Modifications. The adjusted gross income referred  
29 to in paragraph (1) shall be modified by adding thereto the  
30 sum of the 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 adjusted gross income, except  
5 stock dividends of qualified public utilities  
6 described in Section 305(e) of the Internal Revenue  
7 Code;

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

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

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

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

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;

25 (D-17) For taxable years ending on or after  
26 December 31, 2004, an amount equal to the amount  
27 otherwise allowed as a deduction in computing base  
28 income for interest paid, accrued, or incurred,  
29 directly or indirectly, to a foreign person who would  
30 be a member of the same unitary business group but for  
31 the fact that foreign person's business activity  
32 outside the United States is 80% or more of the foreign  
33 person's total business activity. The addition  
34 modification required by this subparagraph shall be

1 reduced to the extent that dividends were included in  
2 base income of the unitary group for the same taxable  
3 year and received by the taxpayer or by a member of the  
4 taxpayer's unitary business group (including amounts  
5 included in gross income under Sections 951 through 964  
6 of the Internal Revenue Code and amounts included in  
7 gross income under Section 78 of the Internal Revenue  
8 Code) with respect to the stock of the same person to  
9 whom the interest was paid, accrued, or incurred.

10 This paragraph shall not apply to the following:

11 (i) an item of interest paid, accrued, or  
12 incurred, directly or indirectly, to a foreign  
13 person who is subject in a foreign country or  
14 state, other than a state which requires mandatory  
15 unitary reporting, to a tax on or measured by net  
16 income with respect to such interest; or

17 (ii) an item of interest paid, accrued, or  
18 incurred, directly or indirectly, to a foreign  
19 person if the taxpayer can establish, based on a  
20 preponderance of the evidence, both of the  
21 following:

22 (a) the foreign person, during the same  
23 taxable year, paid, accrued, or incurred, the  
24 interest to a person that is not a related  
25 member, and

26 (b) the transaction giving rise to the  
27 interest expense between the taxpayer and the  
28 foreign person did not have as a principal  
29 purpose the avoidance of Illinois income tax,  
30 and is paid pursuant to a contract or agreement  
31 that reflects an arm's-length interest rate  
32 and terms; or

33 (iii) the taxpayer can establish, based on  
34 clear and convincing evidence, that the interest

1           paid, accrued, or incurred relates to a contract or  
2           agreement entered into at arm's-length rates and  
3           terms and the principal purpose for the payment is  
4           not federal or Illinois tax avoidance; or

5           (iv) an item of interest paid, accrued, or  
6           incurred, directly or indirectly, to a foreign  
7           person if the taxpayer establishes by clear and  
8           convincing evidence that the adjustments are  
9           unreasonable; or if the taxpayer and the Director  
10          agree in writing to the application or use of an  
11          alternative method of apportionment under Section  
12          304(f).

13           Nothing in this subsection shall preclude the  
14          Director from making any other adjustment  
15          otherwise allowed under Section 404 of this Act for  
16          any tax year beginning after the effective date of  
17          this amendment provided such adjustment is made  
18          pursuant to regulation adopted by the Department  
19          and such regulations provide methods and standards  
20          by which the Department will utilize its authority  
21          under Section 404 of this Act;

22          (D-18) For taxable years ending on or after  
23          December 31, 2004, an amount equal to the amount of  
24          intangible expenses and costs otherwise allowed as a  
25          deduction in computing base income, and that were paid,  
26          accrued, or incurred, directly or indirectly, to a  
27          foreign person who would be a member of the same  
28          unitary business group but for the fact that the  
29          foreign person's business activity outside the United  
30          States is 80% or more of that person's total business  
31          activity. The addition modification required by this  
32          subparagraph shall be reduced to the extent that  
33          dividends were included in base income of the unitary  
34          group for the same taxable year and received by the

1 taxpayer or by a member of the taxpayer's unitary  
2 business group (including amounts included in gross  
3 income under Sections 951 through 964 of the Internal  
4 Revenue Code and amounts included in gross income under  
5 Section 78 of the Internal Revenue Code) with respect  
6 to the stock of the same person to whom the intangible  
7 expenses and costs were directly or indirectly paid,  
8 incurred, or accrued. The preceding sentence does not  
9 apply to the extent that the same dividends caused a  
10 reduction to the addition modification required under  
11 Section 203(a)(2)(D-17) of this Act. As used in this  
12 subparagraph, the term "intangible expenses and costs"  
13 includes (1) expenses, losses, and costs for, or  
14 related to, the direct or indirect acquisition, use,  
15 maintenance or management, ownership, sale, exchange,  
16 or any other disposition of intangible property; (2)  
17 losses incurred, directly or indirectly, from  
18 factoring transactions or discounting transactions;  
19 (3) royalty, patent, technical, and copyright fees;  
20 (4) licensing fees; and (5) other similar expenses and  
21 costs. For purposes of this subparagraph, "intangible  
22 property" includes patents, patent applications, trade  
23 names, trademarks, service marks, copyrights, mask  
24 works, trade secrets, and similar types of intangible  
25 assets.

26 This paragraph shall not apply to the following:

27 (i) any item of intangible expenses or costs  
28 paid, accrued, or incurred, directly or  
29 indirectly, from a transaction with a foreign  
30 person who is subject in a foreign country or  
31 state, other than a state which requires mandatory  
32 unitary reporting, to a tax on or measured by net  
33 income with respect to such item; or

34 (ii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, if the taxpayer can establish, based  
3           on a preponderance of the evidence, both of the  
4           following:

5                   (a) the foreign person during the same  
6                   taxable year paid, accrued, or incurred, the  
7                   intangible expense or cost to a person that is  
8                   not a related member, and

9                   (b) the transaction giving rise to the  
10                  intangible expense or cost between the  
11                  taxpayer and the foreign person did not have as  
12                  a principal purpose the avoidance of Illinois  
13                  income tax, and is paid pursuant to a contract  
14                  or agreement that reflects arm's-length terms;  
15                  or

16                  (iii) any item of intangible expense or cost  
17                  paid, accrued, or incurred, directly or  
18                  indirectly, from a transaction with a foreign  
19                  person if the taxpayer establishes by clear and  
20                  convincing evidence, that the adjustments are  
21                  unreasonable; or if the taxpayer and the Director  
22                  agree in writing to the application or use of an  
23                  alternative method of apportionment under Section  
24                  304(f);

25                  Nothing in this subsection shall preclude the  
26                  Director from making any other adjustment  
27                  otherwise allowed under Section 404 of this Act for  
28                  any tax year beginning after the effective date of  
29                  this amendment provided such adjustment is made  
30                  pursuant to regulation adopted by the Department  
31                  and such regulations provide methods and standards  
32                  by which the Department will utilize its authority  
33                  under Section 404 of this Act;

34                  (D-20) For taxable years beginning on or after

1           January 1, 2002, in the case of a distribution from a  
2           qualified tuition program under Section 529 of the  
3           Internal Revenue Code, other than (i) a distribution  
4           from a College Savings Pool created under Section 16.5  
5           of the State Treasurer Act or (ii) a distribution from  
6           the Illinois Prepaid Tuition Trust Fund, an amount  
7           equal to the amount excluded from gross income under  
8           Section 529(c)(3)(B);

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

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

1           being a member of the Illinois National Guard. The  
2           provisions of this amendatory Act of the 92nd General  
3           Assembly are exempt from the provisions of Section 250;

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

15          (G) The valuation limitation amount;

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

34           (V) Beginning with tax years ending on or after

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (CC) The amount of (i) any interest income (net of  
19 the deductions allocable thereto) taken into account  
20 for the taxable year with respect to a transaction with  
21 a taxpayer that is required to make an addition  
22 modification with respect to such transaction under  
23 Section 203(a)(2)(D-17), 203(b)(2)(E-13),  
24 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
25 the amount of that addition modification, and (ii) any  
26 income from intangible property (net of the deductions  
27 allocable thereto) taken into account for the taxable  
28 year with respect to a transaction with a taxpayer that  
29 is required to make an addition modification with  
30 respect to such transaction under Section  
31 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or  
32 203(d)(2)(D-8), but not to exceed the amount of that  
33 addition modification;

34 (DD) An amount equal to the interest income taken

1           into account for the taxable year (net of the  
2           deductions allocable thereto) with respect to  
3           transactions with a foreign person who would be a  
4           member of the taxpayer's unitary business group but for  
5           the fact that the foreign person's business activity  
6           outside the United States is 80% or more of that  
7           person's total business activity, but not to exceed the  
8           addition modification required to be made for the same  
9           taxable year under Section 203(a)(2)(D-17) for  
10          interest paid, accrued, or incurred, directly or  
11          indirectly, to the same foreign person; and

12           (EF) An amount equal to the income from intangible  
13          property taken into account for the taxable year (net  
14          of the deductions allocable thereto) with respect to  
15          transactions with a foreign person who would be a  
16          member of the taxpayer's unitary business group but for  
17          the fact that the foreign person's business activity  
18          outside the United States is 80% or more of that  
19          person's total business activity, but not to exceed the  
20          addition modification required to be made for the same  
21          taxable year under Section 203(a)(2)(D-18) for  
22          intangible expenses and costs paid, accrued, or  
23          incurred, directly or indirectly, to the same foreign  
24          person.

25           (FF) For taxable years ending on or after December  
26          31, 2006, an amount, to the extent that it is included  
27          in adjusted gross income, equal to any scholarship  
28          redeemed under the Opportunity Scholarship Act. This  
29          subparagraph is exempt from the provisions of Section  
30          250.

31          (b) Corporations.

32           (1) In general. In the case of a corporation, base  
33          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 and all distributions  
7 received from regulated investment companies during  
8 the taxable year to the extent excluded from gross  
9 income in the computation of taxable income;

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 taxable income for the taxable year;

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

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

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



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

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

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

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

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

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

34 (E-11) If the taxpayer reports a capital gain or

1           loss on the taxpayer's federal income tax return for  
2           the taxable year based on a sale or transfer of  
3           property for which the taxpayer was required in any  
4           taxable year to make an addition modification under  
5           subparagraph (E-10), then an amount equal to the  
6           aggregate amount of the deductions taken in all taxable  
7           years under subparagraph (T) with respect to that  
8           property.

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

12          (E-12) For taxable years ending on or after  
13          December 31, 2004, an amount equal to the amount  
14          otherwise allowed as a deduction in computing base  
15          income for interest paid, accrued, or incurred,  
16          directly or indirectly, to a foreign person who would  
17          be a member of the same unitary business group but for  
18          the fact the foreign person's business activity  
19          outside the United States is 80% or more of the foreign  
20          person's total business activity. The addition  
21          modification required by this subparagraph shall be  
22          reduced to the extent that dividends were included in  
23          base income of the unitary group for the same taxable  
24          year and received by the taxpayer or by a member of the  
25          taxpayer's unitary business group (including amounts  
26          included in gross income pursuant to Sections 951  
27          through 964 of the Internal Revenue Code and amounts  
28          included in gross income under Section 78 of the  
29          Internal Revenue Code) with respect to the stock of the  
30          same person to whom the interest was paid, accrued, or  
31          incurred.

32          This paragraph shall not apply to the following:

33                  (i) an item of interest paid, accrued, or  
34                  incurred, directly or indirectly, to a foreign

1 person who is subject in a foreign country or  
2 state, other than a state which requires mandatory  
3 unitary reporting, to a tax on or measured by net  
4 income with respect to such interest; or

5 (ii) an item of interest paid, accrued, or  
6 incurred, directly or indirectly, to a foreign  
7 person if the taxpayer can establish, based on a  
8 preponderance of the evidence, both of the  
9 following:

10 (a) the foreign person, during the same  
11 taxable year, paid, accrued, or incurred, the  
12 interest to a person that is not a related  
13 member, and

14 (b) the transaction giving rise to the  
15 interest expense between the taxpayer and the  
16 foreign person did not have as a principal  
17 purpose the avoidance of Illinois income tax,  
18 and is paid pursuant to a contract or agreement  
19 that reflects an arm's-length interest rate  
20 and terms; or

21 (iii) the taxpayer can establish, based on  
22 clear and convincing evidence, that the interest  
23 paid, accrued, or incurred relates to a contract or  
24 agreement entered into at arm's-length rates and  
25 terms and the principal purpose for the payment is  
26 not federal or Illinois tax avoidance; or

27 (iv) an item of interest paid, accrued, or  
28 incurred, directly or indirectly, to a foreign  
29 person if the taxpayer establishes by clear and  
30 convincing evidence that the adjustments are  
31 unreasonable; or if the taxpayer and the Director  
32 agree in writing to the application or use of an  
33 alternative method of apportionment under Section  
34 304(f).

1           Nothing in this subsection shall preclude the  
2           Director from making any other adjustment  
3           otherwise allowed under Section 404 of this Act for  
4           any tax year beginning after the effective date of  
5           this amendment provided such adjustment is made  
6           pursuant to regulation adopted by the Department  
7           and such regulations provide methods and standards  
8           by which the Department will utilize its authority  
9           under Section 404 of this Act;

10           (E-13) For taxable years ending on or after  
11           December 31, 2004, an amount equal to the amount of  
12           intangible expenses and costs otherwise allowed as a  
13           deduction in computing base income, and that were paid,  
14           accrued, or incurred, directly or indirectly, to a  
15           foreign person who would be a member of the same  
16           unitary business group but for the fact that the  
17           foreign person's business activity outside the United  
18           States is 80% or more of that person's total business  
19           activity. The addition modification required by this  
20           subparagraph shall be reduced to the extent that  
21           dividends were included in base income of the unitary  
22           group for the same taxable year and received by the  
23           taxpayer or by a member of the taxpayer's unitary  
24           business group (including amounts included in gross  
25           income pursuant to Sections 951 through 964 of the  
26           Internal Revenue Code and amounts included in gross  
27           income under Section 78 of the Internal Revenue Code)  
28           with respect to the stock of the same person to whom  
29           the intangible expenses and costs were directly or  
30           indirectly paid, incurred, or accrued. The preceding  
31           sentence shall not apply to the extent that the same  
32           dividends caused a reduction to the addition  
33           modification required under Section 203(b)(2) (E-12) of  
34           this Act. As used in this subparagraph, the term

1 "intangible expenses and costs" includes (1) expenses,  
2 losses, and costs for, or related to, the direct or  
3 indirect acquisition, use, maintenance or management,  
4 ownership, sale, exchange, or any other disposition of  
5 intangible property; (2) losses incurred, directly or  
6 indirectly, from factoring transactions or discounting  
7 transactions; (3) royalty, patent, technical, and  
8 copyright fees; (4) licensing fees; and (5) other  
9 similar expenses and costs. For purposes of this  
10 subparagraph, "intangible property" includes patents,  
11 patent applications, trade names, trademarks, service  
12 marks, copyrights, mask works, trade secrets, and  
13 similar types of intangible assets.

14 This paragraph shall not apply to the following:

15 (i) any item of intangible expenses or costs  
16 paid, accrued, or incurred, directly or  
17 indirectly, from a transaction with a foreign  
18 person who is subject in a foreign country or  
19 state, other than a state which requires mandatory  
20 unitary reporting, to a tax on or measured by net  
21 income with respect to such item; or

22 (ii) any item of intangible expense or cost  
23 paid, accrued, or incurred, directly or  
24 indirectly, if the taxpayer can establish, based  
25 on a preponderance of the evidence, both of the  
26 following:

27 (a) the foreign person during the same  
28 taxable year paid, accrued, or incurred, the  
29 intangible expense or cost to a person that is  
30 not a related member, and

31 (b) the transaction giving rise to the  
32 intangible expense or cost between the  
33 taxpayer and the foreign person did not have as  
34 a principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract  
2 or agreement that reflects arm's-length terms;  
3 or

4 (iii) any item of intangible expense or cost  
5 paid, accrued, or incurred, directly or  
6 indirectly, from a transaction with a foreign  
7 person if the taxpayer establishes by clear and  
8 convincing evidence, that the adjustments are  
9 unreasonable; or if the taxpayer and the Director  
10 agree in writing to the application or use of an  
11 alternative method of apportionment under Section  
12 304(f);

13 Nothing in this subsection shall preclude the  
14 Director from making any other adjustment  
15 otherwise allowed under Section 404 of this Act for  
16 any tax year beginning after the effective date of  
17 this amendment provided such adjustment is made  
18 pursuant to regulation adopted by the Department  
19 and such regulations provide methods and standards  
20 by which the Department will utilize its authority  
21 under Section 404 of this Act;

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

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 any amount included in such  
28 total under Section 78 of the Internal Revenue Code;

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

34 (I) With the exception of any amounts subtracted

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

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

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

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

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



1           the basis of the Section 201(h) investment credit  
2           property which secures the loan or loans, using for  
3           this purpose the original basis of such property on the  
4           date that it was placed in service in a federally  
5           designated Foreign Trade Zone or Sub-Zone located in  
6           Illinois. No taxpayer that is eligible for the  
7           deduction provided in subparagraph (M) of paragraph  
8           (2) of this subsection shall be eligible for the  
9           deduction provided under this subparagraph (M-1). The  
10          subtraction modification available to taxpayers in any  
11          year under this subsection shall be that portion of the  
12          total interest paid by the borrower with respect to  
13          such loan attributable to the eligible property as  
14          calculated under the previous sentence;

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

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

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

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

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

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

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

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

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

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

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

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

11 (V) The amount of: (i) any interest income (net of  
12 the deductions allocable thereto) taken into account  
13 for the taxable year with respect to a transaction with  
14 a taxpayer that is required to make an addition  
15 modification with respect to such transaction under  
16 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
17 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
18 the amount of such addition modification and (ii) any  
19 income from intangible property (net of the deductions  
20 allocable thereto) taken into account for the taxable  
21 year with respect to a transaction with a taxpayer that  
22 is required to make an addition modification with  
23 respect to such transaction under Section  
24 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
25 203(d)(2)(D-8), but not to exceed the amount of such  
26 addition modification;

27 (W) An amount equal to the interest income taken  
28 into account for the taxable year (net of the  
29 deductions allocable thereto) with respect to  
30 transactions with a foreign person who would be a  
31 member of the taxpayer's unitary business group but for  
32 the fact that the foreign person's business activity  
33 outside the United States is 80% or more of that  
34 person's total business activity, but not to exceed the

1 addition modification required to be made for the same  
2 taxable year under Section 203(b)(2)(E-12) for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, to the same foreign person; and

5 (X) An amount equal to the income from intangible  
6 property taken into account for the taxable year (net  
7 of the deductions allocable thereto) with respect to  
8 transactions with a foreign person who would be a  
9 member of the taxpayer's unitary business group but for  
10 the fact that the foreign person's business activity  
11 outside the United States is 80% or more of that  
12 person's total business activity, but not to exceed the  
13 addition modification required to be made for the same  
14 taxable year under Section 203(b)(2)(E-13) for  
15 intangible expenses and costs paid, accrued, or  
16 incurred, directly or indirectly, to the same foreign  
17 person.

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;

1           (B) In the case of (i) an estate, \$600; (ii) a  
2 trust which, under its governing instrument, is  
3 required to distribute all of its income currently,  
4 \$300; and (iii) any other trust, \$100, but in each such  
5 case, only to the extent such amount was deducted in  
6 the computation of taxable income;

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

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

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

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

32           (ii) the addition modification relating to the  
33 net operating loss carried back or forward to the  
34 taxable year from any taxable year ending prior to

1           December 31, 1986 shall not exceed the amount of  
2           such carryback or carryforward;

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

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

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

20           (G-5) For taxable years ending after December 31,  
21           1997, an amount equal to any eligible remediation costs  
22           that the trust or estate deducted in computing adjusted  
23           gross income and for which the trust or estate claims a  
24           credit under subsection (l) of Section 201;

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

31           (G-11) If the taxpayer reports a capital gain or  
32           loss on the taxpayer's federal income tax return for  
33           the taxable year based on a sale or transfer of  
34           property for which the taxpayer was required in any

1 taxable year to make an addition modification under  
2 subparagraph (G-10), then an amount equal to the  
3 aggregate amount of the deductions taken in all taxable  
4 years under subparagraph (R) with respect to that  
5 property.

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

9 (G-12) For taxable years ending on or after  
10 December 31, 2004, an amount equal to the amount  
11 otherwise allowed as a deduction in computing base  
12 income for interest paid, accrued, or incurred,  
13 directly or indirectly, to a foreign person who would  
14 be a member of the same unitary business group but for  
15 the fact that the foreign person's business activity  
16 outside the United States is 80% or more of the foreign  
17 person's total business activity. The addition  
18 modification required by this subparagraph shall be  
19 reduced to the extent that dividends were included in  
20 base income of the unitary group for the same taxable  
21 year and received by the taxpayer or by a member of the  
22 taxpayer's unitary business group (including amounts  
23 included in gross income pursuant to Sections 951  
24 through 964 of the Internal Revenue Code and amounts  
25 included in gross income under Section 78 of the  
26 Internal Revenue Code) with respect to the stock of the  
27 same person to whom the interest was paid, accrued, or  
28 incurred.

29 This paragraph shall not apply to the following:

30 (i) an item of interest paid, accrued, or  
31 incurred, directly or indirectly, to a foreign  
32 person who is subject in a foreign country or  
33 state, other than a state which requires mandatory  
34 unitary reporting, to a tax on or measured by net



1 income with respect to such interest; or

2 (ii) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a foreign  
4 person if the taxpayer can establish, based on a  
5 preponderance of the evidence, both of the  
6 following:

7 (a) the foreign person, during the same  
8 taxable year, paid, accrued, or incurred, the  
9 interest to a person that is not a related  
10 member, and

11 (b) the transaction giving rise to the  
12 interest expense between the taxpayer and the  
13 foreign person did not have as a principal  
14 purpose the avoidance of Illinois income tax,  
15 and is paid pursuant to a contract or agreement  
16 that reflects an arm's-length interest rate  
17 and terms; or

18 (iii) the taxpayer can establish, based on  
19 clear and convincing evidence, that the interest  
20 paid, accrued, or incurred relates to a contract or  
21 agreement entered into at arm's-length rates and  
22 terms and the principal purpose for the payment is  
23 not federal or Illinois tax avoidance; or

24 (iv) an item of interest paid, accrued, or  
25 incurred, directly or indirectly, to a foreign  
26 person if the taxpayer establishes by clear and  
27 convincing evidence that the adjustments are  
28 unreasonable; or if the taxpayer and the Director  
29 agree in writing to the application or use of an  
30 alternative method of apportionment under Section  
31 304(f).

32 Nothing in this subsection shall preclude the  
33 Director from making any other adjustment  
34 otherwise allowed under Section 404 of this Act for

1 any tax year beginning after the effective date of  
2 this amendment provided such adjustment is made  
3 pursuant to regulation adopted by the Department  
4 and such regulations provide methods and standards  
5 by which the Department will utilize its authority  
6 under Section 404 of this Act;

7 (G-13) For taxable years ending on or after  
8 December 31, 2004, an amount equal to the amount of  
9 intangible expenses and costs otherwise allowed as a  
10 deduction in computing base income, and that were paid,  
11 accrued, or incurred, directly or indirectly, to a  
12 foreign person who would be a member of the same  
13 unitary business group but for the fact that the  
14 foreign person's business activity outside the United  
15 States is 80% or more of that person's total business  
16 activity. The addition modification required by this  
17 subparagraph shall be reduced to the extent that  
18 dividends were included in base income of the unitary  
19 group for the same taxable year and received by the  
20 taxpayer or by a member of the taxpayer's unitary  
21 business group (including amounts included in gross  
22 income pursuant to Sections 951 through 964 of the  
23 Internal Revenue Code and amounts included in gross  
24 income under Section 78 of the Internal Revenue Code)  
25 with respect to the stock of the same person to whom  
26 the intangible expenses and costs were directly or  
27 indirectly paid, incurred, or accrued. The preceding  
28 sentence shall not apply to the extent that the same  
29 dividends caused a reduction to the addition  
30 modification required under Section 203(c)(2)(G-12) of  
31 this Act. As used in this subparagraph, the term  
32 "intangible expenses and costs" includes: (1)  
33 expenses, losses, and costs for or related to the  
34 direct or indirect acquisition, use, maintenance or

1 management, ownership, sale, exchange, or any other  
2 disposition of intangible property; (2) losses  
3 incurred, directly or indirectly, from factoring  
4 transactions or discounting transactions; (3) royalty,  
5 patent, technical, and copyright fees; (4) licensing  
6 fees; and (5) other similar expenses and costs. For  
7 purposes of this subparagraph, "intangible property"  
8 includes patents, patent applications, trade names,  
9 trademarks, service marks, copyrights, mask works,  
10 trade secrets, and similar types of intangible assets.

11 This paragraph shall not apply to the following:

12 (i) any item of intangible expenses or costs  
13 paid, accrued, or incurred, directly or  
14 indirectly, from a transaction with a foreign  
15 person who is subject in a foreign country or  
16 state, other than a state which requires mandatory  
17 unitary reporting, to a tax on or measured by net  
18 income with respect to such item; or

19 (ii) any item of intangible expense or cost  
20 paid, accrued, or incurred, directly or  
21 indirectly, if the taxpayer can establish, based  
22 on a preponderance of the evidence, both of the  
23 following:

24 (a) the foreign person during the same  
25 taxable year paid, accrued, or incurred, the  
26 intangible expense or cost to a person that is  
27 not a related member, and

28 (b) the transaction giving rise to the  
29 intangible expense or cost between the  
30 taxpayer and the foreign person did not have as  
31 a principal purpose the avoidance of Illinois  
32 income tax, and is paid pursuant to a contract  
33 or agreement that reflects arm's-length terms;  
34 or

1 (iii) any item of intangible expense or cost  
2 paid, accrued, or incurred, directly or  
3 indirectly, from a transaction with a foreign  
4 person if the taxpayer establishes by clear and  
5 convincing evidence, that the adjustments are  
6 unreasonable; or if the taxpayer and the Director  
7 agree in writing to the application or use of an  
8 alternative method of apportionment under Section  
9 304(f);

10 Nothing in this subsection shall preclude the  
11 Director from making any other adjustment  
12 otherwise allowed under Section 404 of this Act for  
13 any tax year beginning after the effective date of  
14 this amendment provided such adjustment is made  
15 pursuant to regulation adopted by the Department  
16 and such regulations provide methods and standards  
17 by which the Department will utilize its authority  
18 under Section 404 of this Act;

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

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

32 (I) The valuation limitation amount;

33 (J) An amount equal to the amount of any tax  
34 imposed by this Act which was refunded to the taxpayer

1 and included in such total for the taxable year;

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

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

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

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

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

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

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

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

14 (R) 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;

4 (S) 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 (G-10), 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;

14 (T) The amount of (i) any interest income (net of  
15 the deductions allocable thereto) taken into account  
16 for the taxable year with respect to a transaction with  
17 a taxpayer that is required to make an addition  
18 modification with respect to such transaction under  
19 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
20 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
21 the amount of such addition modification and (ii) any  
22 income from intangible property (net of the deductions  
23 allocable thereto) taken into account for the taxable  
24 year with respect to a transaction with a taxpayer that  
25 is required to make an addition modification with  
26 respect to such transaction under Section  
27 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
28 203(d)(2)(D-8), but not to exceed the amount of such  
29 addition modification;

30 (U) An amount equal to the interest income taken  
31 into account for the taxable year (net of the  
32 deductions allocable thereto) with respect to  
33 transactions with a foreign person who would be a  
34 member of the taxpayer's unitary business group but for



1           the fact the foreign person's business activity  
2           outside the United States is 80% or more of that  
3           person's total business activity, but not to exceed the  
4           addition modification required to be made for the same  
5           taxable year under Section 203(c)(2)(G-12) for  
6           interest paid, accrued, or incurred, directly or  
7           indirectly, to the same foreign person; and

8           (V) An amount equal to the income from intangible  
9           property taken into account for the taxable year (net  
10          of the deductions allocable thereto) with respect to  
11          transactions with a foreign person who would be a  
12          member of the taxpayer's unitary business group but for  
13          the fact that the foreign person's business activity  
14          outside the United States is 80% or more of that  
15          person's total business activity, but not to exceed the  
16          addition modification required to be made for the same  
17          taxable year under Section 203(c)(2)(G-13) for  
18          intangible expenses and costs paid, accrued, or  
19          incurred, directly or indirectly, to the same foreign  
20          person.

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

28          (d) Partnerships.

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

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

1 of the following amounts:

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

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

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

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

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

34 (D-7) For taxable years ending on or after December

1           31, 2004, an amount equal to the amount otherwise  
2 allowed as a deduction in computing base income for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, to a foreign person who would be a member  
5 of the same unitary business group but for the fact the  
6 foreign person's business activity outside the United  
7 States is 80% or more of the foreign person's total  
8 business activity. The addition modification required  
9 by this subparagraph shall be reduced to the extent  
10 that dividends were included in base income of the  
11 unitary group for the same taxable year and received by  
12 the taxpayer or by a member of the taxpayer's unitary  
13 business group (including amounts included in gross  
14 income pursuant to Sections 951 through 964 of the  
15 Internal Revenue Code and amounts included in gross  
16 income under Section 78 of the Internal Revenue Code)  
17 with respect to the stock of the same person to whom  
18 the interest was paid, accrued, or incurred.

19           This paragraph shall not apply to the following:

20           (i) an item of interest paid, accrued, or  
21 incurred, directly or indirectly, to a foreign  
22 person who is subject in a foreign country or  
23 state, other than a state which requires mandatory  
24 unitary reporting, to a tax on or measured by net  
25 income with respect to such interest; or

26           (ii) an item of interest paid, accrued, or  
27 incurred, directly or indirectly, to a foreign  
28 person if the taxpayer can establish, based on a  
29 preponderance of the evidence, both of the  
30 following:

31           (a) the foreign person, during the same  
32 taxable year, paid, accrued, or incurred, the  
33 interest to a person that is not a related  
34 member, and

1 (b) the transaction giving rise to the  
2 interest expense between the taxpayer and the  
3 foreign person did not have as a principal  
4 purpose the avoidance of Illinois income tax,  
5 and is paid pursuant to a contract or agreement  
6 that reflects an arm's-length interest rate  
7 and terms; or

8 (iii) the taxpayer can establish, based on  
9 clear and convincing evidence, that the interest  
10 paid, accrued, or incurred relates to a contract or  
11 agreement entered into at arm's-length rates and  
12 terms and the principal purpose for the payment is  
13 not federal or Illinois tax avoidance; or

14 (iv) an item of interest paid, accrued, or  
15 incurred, directly or indirectly, to a foreign  
16 person if the taxpayer establishes by clear and  
17 convincing evidence that the adjustments are  
18 unreasonable; or if the taxpayer and the Director  
19 agree in writing to the application or use of an  
20 alternative method of apportionment under Section  
21 304(f).

22 Nothing in this subsection shall preclude the  
23 Director from making any other adjustment  
24 otherwise allowed under Section 404 of this Act for  
25 any tax year beginning after the effective date of  
26 this amendment provided such adjustment is made  
27 pursuant to regulation adopted by the Department  
28 and such regulations provide methods and standards  
29 by which the Department will utilize its authority  
30 under Section 404 of this Act; and

31 (D-8) For taxable years ending on or after December  
32 31, 2004, an amount equal to the amount of intangible  
33 expenses and costs otherwise allowed as a deduction in  
34 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, to a foreign person  
2 who would be a member of the same unitary business  
3 group but for the fact that the foreign person's  
4 business activity outside the United States is 80% or  
5 more of that person's total business activity. The  
6 addition modification required by this subparagraph  
7 shall be reduced to the extent that dividends were  
8 included in base income of the unitary group for the  
9 same taxable year and received by the taxpayer or by a  
10 member of the taxpayer's unitary business group  
11 (including amounts included in gross income pursuant  
12 to Sections 951 through 964 of the Internal Revenue  
13 Code and amounts included in gross income under Section  
14 78 of the Internal Revenue Code) with respect to the  
15 stock of the same person to whom the intangible  
16 expenses and costs were directly or indirectly paid,  
17 incurred or accrued. The preceding sentence shall not  
18 apply to the extent that the same dividends caused a  
19 reduction to the addition modification required under  
20 Section 203(d)(2)(D-7) of this Act. As used in this  
21 subparagraph, the term "intangible expenses and costs"  
22 includes (1) expenses, losses, and costs for, or  
23 related to, the direct or indirect acquisition, use,  
24 maintenance or management, ownership, sale, exchange,  
25 or any other disposition of intangible property; (2)  
26 losses incurred, directly or indirectly, from  
27 factoring transactions or discounting transactions;  
28 (3) royalty, patent, technical, and copyright fees;  
29 (4) licensing fees; and (5) other similar expenses and  
30 costs. For purposes of this subparagraph, "intangible  
31 property" includes patents, patent applications, trade  
32 names, trademarks, service marks, copyrights, mask  
33 works, trade secrets, and similar types of intangible  
34 assets;

1 This paragraph shall not apply to the following:

2 (i) any item of intangible expenses or costs  
3 paid, accrued, or incurred, directly or  
4 indirectly, from a transaction with a foreign  
5 person who is subject in a foreign country or  
6 state, other than a state which requires mandatory  
7 unitary reporting, to a tax on or measured by net  
8 income with respect to such item; or

9 (ii) any item of intangible expense or cost  
10 paid, accrued, or incurred, directly or  
11 indirectly, if the taxpayer can establish, based  
12 on a preponderance of the evidence, both of the  
13 following:

14 (a) the foreign person during the same  
15 taxable year paid, accrued, or incurred, the  
16 intangible expense or cost to a person that is  
17 not a related member, and

18 (b) the transaction giving rise to the  
19 intangible expense or cost between the  
20 taxpayer and the foreign person did not have as  
21 a principal purpose the avoidance of Illinois  
22 income tax, and is paid pursuant to a contract  
23 or agreement that reflects arm's-length terms;  
24 or

25 (iii) any item of intangible expense or cost  
26 paid, accrued, or incurred, directly or  
27 indirectly, from a transaction with a foreign  
28 person if the taxpayer establishes by clear and  
29 convincing evidence, that the adjustments are  
30 unreasonable; or if the taxpayer and the Director  
31 agree in writing to the application or use of an  
32 alternative method of apportionment under Section  
33 304(f);

34 Nothing in this subsection shall preclude the

1 Director from making any other adjustment  
2 otherwise allowed under Section 404 of this Act for  
3 any tax year beginning after the effective date of  
4 this amendment provided such adjustment is made  
5 pursuant to regulation adopted by the Department  
6 and such regulations provide methods and standards  
7 by which the Department will utilize its authority  
8 under Section 404 of this Act;

9 and by deducting from the total so obtained the following  
10 amounts:

11 (E) The valuation limitation amount;

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

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

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

31 (I) An amount equal to all amounts of income  
32 distributable to an entity subject to the Personal  
33 Property Tax Replacement Income Tax imposed by  
34 subsections (c) and (d) of Section 201 of this Act

1 including amounts distributable to organizations  
2 exempt from federal income tax by reason of Section  
3 501(a) of the Internal Revenue Code;

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

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

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

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



1           this subparagraph (M);

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

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

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

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

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

31          (P) If the taxpayer reports a capital gain or loss  
32          on the taxpayer's federal income tax return for the  
33          taxable year based on a sale or transfer of property  
34          for which the taxpayer was required in any taxable year

1 to make an addition modification under subparagraph  
2 (D-5), then an amount equal to that addition  
3 modification.

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

7 (Q) The amount of (i) any interest income (net of  
8 the deductions allocable thereto) taken into account  
9 for the taxable year with respect to a transaction with  
10 a taxpayer that is required to make an addition  
11 modification with respect to such transaction under  
12 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
13 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
14 the amount of such addition modification and (ii) any  
15 income from intangible property (net of the deductions  
16 allocable thereto) taken into account for the taxable  
17 year with respect to a transaction with a taxpayer that  
18 is required to make an addition modification with  
19 respect to such transaction under Section  
20 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
21 203(d)(2)(D-8), but not to exceed the amount of such  
22 addition modification;

23 (R) An amount equal to the interest income taken  
24 into account for the taxable year (net of the  
25 deductions allocable thereto) with respect to  
26 transactions with a foreign person who would be a  
27 member of the taxpayer's unitary business group but for  
28 the fact that the foreign person's business activity  
29 outside the United States is 80% or more of that  
30 person's total business activity, but not to exceed the  
31 addition modification required to be made for the same  
32 taxable year under Section 203(d)(2)(D-7) for interest  
33 paid, accrued, or incurred, directly or indirectly, to  
34 the same foreign person; and

1           (S) An amount equal to the income from intangible  
2           property taken into account for the taxable year (net  
3           of the deductions allocable thereto) with respect to  
4           transactions with a foreign person who would be a  
5           member of the taxpayer's unitary business group but for  
6           the fact that the foreign person's business activity  
7           outside the United States is 80% or more of that  
8           person's total business activity, but not to exceed the  
9           addition modification required to be made for the same  
10          taxable year under Section 203(d)(2)(D-8) for  
11          intangible expenses and costs paid, accrued, or  
12          incurred, directly or indirectly, to the same foreign  
13          person.

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

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

1 a corporation (other than a Subchapter S corporation),  
2 trust, or estate is less than zero and addition  
3 modifications, other than those provided by subparagraph  
4 (E) of paragraph (2) of subsection (b) for corporations or  
5 subparagraph (E) of paragraph (2) of subsection (c) for  
6 trusts and estates, exceed subtraction modifications, an  
7 addition modification must be made under those  
8 subparagraphs for any other taxable year to which the  
9 taxable income less than zero (net operating loss) is  
10 applied under Section 172 of the Internal Revenue Code or  
11 under subparagraph (E) of paragraph (2) of this subsection  
12 (e) applied in conjunction with Section 172 of the Internal  
13 Revenue Code.

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

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

24 (B) Certain other insurance companies. In the case  
25 of mutual insurance companies subject to the tax  
26 imposed by Section 831 of the Internal Revenue Code,  
27 insurance company taxable income;

28 (C) Regulated investment companies. In the case of  
29 a regulated investment company subject to the tax  
30 imposed by Section 852 of the Internal Revenue Code,  
31 investment company taxable income;

32 (D) Real estate investment trusts. In the case of a  
33 real estate investment trust subject to the tax imposed  
34 by Section 857 of the Internal Revenue Code, real

1 estate investment trust taxable income;

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

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

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

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

8           (3) Recapture of business expenses on disposition of  
9 asset or business. Notwithstanding any other law to the  
10 contrary, if in prior years income from an asset or  
11 business has been classified as business income and in a  
12 later year is demonstrated to be non-business income, then  
13 all expenses, without limitation, deducted in such later  
14 year and in the 2 immediately preceding taxable years  
15 related to that asset or business that generated the  
16 non-business income shall be added back and recaptured as  
17 business income in the year of the disposition of the asset  
18 or business. Such amount shall be apportioned to Illinois  
19 using the greater of the apportionment fraction computed  
20 for the business under Section 304 of this Act for the  
21 taxable year or the average of the apportionment fractions  
22 computed for the business under Section 304 of this Act for  
23 the taxable year and for the 2 immediately preceding  
24 taxable years.

25           (f) Valuation limitation amount.

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

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

34           (B) The lesser of (i) the sum of the pre-August 1,

1 1969 appreciation amounts (to the extent consisting of  
2 capital gain) for all property in respect of which such  
3 gain was reported for federal income tax purposes for  
4 the taxable year, or (ii) the net capital gain for the  
5 taxable year, reduced in either case by any amount of  
6 such gain included in the amount determined under  
7 subsection (a) (2) (F) or (c) (2) (H).

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

9 (A) If the fair market value of property referred  
10 to in paragraph (1) was readily ascertainable on August  
11 1, 1969, the pre-August 1, 1969 appreciation amount for  
12 such property is the lesser of (i) the excess of such  
13 fair market value over the taxpayer's basis (for  
14 determining gain) for such property on that date  
15 (determined under the Internal Revenue Code as in  
16 effect on that date), or (ii) the total gain realized  
17 and reportable for federal income tax purposes in  
18 respect of the sale, exchange or other disposition of  
19 such property.

20 (B) If the fair market value of property referred  
21 to in paragraph (1) was not readily ascertainable on  
22 August 1, 1969, the pre-August 1, 1969 appreciation  
23 amount for such property is that amount which bears the  
24 same ratio to the total gain reported in respect of the  
25 property for federal income tax purposes for the  
26 taxable year, as the number of full calendar months in  
27 that part of the taxpayer's holding period for the  
28 property ending July 31, 1969 bears to the number of  
29 full calendar months in the taxpayer's entire holding  
30 period for the property.

31 (C) The Department shall prescribe such  
32 regulations as may be necessary to carry out the  
33 purposes of this paragraph.

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

4           (h) Legislative intention. Except as expressly provided by  
5 this Section there shall be no modifications or limitations on  
6 the amounts of income, gain, loss or deduction taken into  
7 account in determining gross income, adjusted gross income or  
8 taxable income for federal income tax purposes for the taxable  
9 year, or in the amount of such items entering into the  
10 computation of base income and net income under this Act for  
11 such taxable year, whether in respect of property values as of  
12 August 1, 1969 or otherwise.

13           (Source: P.A. 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439,  
14 eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02;  
15 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; 93-812, eff.  
16 7-26-04; 93-840, eff. 7-30-04; revised 10-12-04.)

17           Section 999. Effective date. This Act takes effect upon  
18 becoming law."