



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

HB1987

Introduced 2/26/2007, by Rep. Frank J. Mautino

#### SYNOPSIS AS INTRODUCED:

See Index

Creates the Consumer Choice of Benefits Plan Act. Provides that an insurer may offer one or more Consumer Choice of Benefits Health Plans, which are defined as an accident or health insurance policy that, in whole or in part, does not provide state-mandated health benefits, but provides creditable coverage as defined in the Illinois Health Insurance Portability and Accountability Act. Sets out the requirements for Consumer Choice of Benefits Health Insurance Plans. Amends the Illinois Income Tax Act. Creates an employer health insurance contribution credit. Amends the Illinois Insurance Code. Creates a new Article establishing the Illinois Innovative Insurance Solutions Law. Provides that the purpose of the Article is to establish the Illinois Innovative Solutions Program where health insurance carriers develop and submit to the Director of Insurance different proposals to increase Illinois residents' access to health care coverage. Creates a new Article establishing the Illinois Health Insurance Premium Assistance Program. Provides that eligible persons may apply to the program in order to obtain rebates to pay for health insurance premiums. Amends the Managed Care Reform and Patient Rights Act. Provides that the Office of Consumer Health Insurance shall perform certain tasks related to a public awareness campaign concerning health coverage information. Creates a task force to carry out the public awareness campaign. Repeals the Small Employer Group Health Insurance Law of the Illinois Insurance Code. Effective immediately.

LRB095 11350 KBJ 32098 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning insurance.

2 WHEREAS, Recent data indicates increasingly unaffordable  
3 health care and health insurance costs, a need to address  
4 quality in health care, and an increasing number of uninsured  
5 that requires Illinois policy makers change their approach to  
6 health care and health insurance coverage; and

7 WHEREAS, Without a transformation, the high cost of health  
8 insurance, resulting in part from unacceptable quality of care  
9 and historic mandates, will cause the number of uninsured  
10 persons to increase in this State; and

11 WHEREAS, It is the intent of this Act to strategically  
12 address these issues by collaborating with private purchasers  
13 and implementing the following health plans funded by the  
14 State: (1) increased measurement, transparency, and disclosure  
15 of hospital and clinician performance; (2) information, tools,  
16 and incentives for patients and other consumers to enable them  
17 to make informed health care decisions; (3) payment of  
18 hospitals and clinicians based on their performance; (4) health  
19 information technology, including an electronic health record  
20 for all Illinois citizens; (5) preventative and wellness  
21 initiatives; and (6) review of current health plan design and  
22 requirements identifying elements of the plans that need  
23 elimination and implementation of new provisions that are  
24 consistent with guidelines and protocols established by

1 organizations representing medical professions and  
2 organizations within affordable budget guidelines; therefore

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

5 Section 1. Short title. This Act may be cited as the  
6 Consumer Choice of Benefits Health Insurance Plan Act.

7 Section 5. Purpose. The General Assembly recognizes the  
8 need for individuals in this State to have the opportunity to  
9 choose health insurance plans that are more affordable and  
10 flexible than existing market policies offering accident and  
11 health insurance coverage. The General Assembly, therefore,  
12 seeks to increase the availability of health insurance coverage  
13 by allowing insurers authorized to engage in the business of  
14 insurance in this State to issue accident and health policies  
15 that, in whole or in part, do not offer or provide  
16 state-mandated health benefits.

17 Section 10. Definitions. For purposes of this Act:

18 "Consumer Choice of Benefits Health Insurance Plan" means  
19 an accident or health insurance policy that, in whole or in  
20 part, does not offer and provide state-mandated health  
21 benefits, but that provides creditable coverage as defined by  
22 Section 20 of the Illinois Health Insurance Portability and

1 Accountability Act.

2 "Department" means the Department of Financial and  
3 Professional Regulation.

4 "Director" means the Director of Insurance.

5 "Insurer" means an insurance company actively engaged in  
6 issuing approved policies of accident and health insurance in  
7 Illinois.

8 Section 15. State-mandated health benefits. For purposes  
9 of this Act, "state-mandated health benefits" means coverage  
10 required under this Act or other laws of this State to be  
11 provided in an individual major medical, blanket, or group  
12 major medical policy for accident and health insurance or a  
13 contract for a health-related condition that:

14 (1) includes coverage for specific health care  
15 services or benefits; or

16 (2) includes coverage for a specific category of  
17 licensed health care practitioner from whom an insured is  
18 entitled to receive care.

19 "State-mandated health benefits" does not include benefits  
20 that are mandated by federal law or standard provisions or  
21 rights required under this Act or other laws of this State to  
22 be provided in a group major medical policy for accident and  
23 health insurance that are unrelated to specific health  
24 illnesses, injuries, or conditions of an insured, including  
25 provisions related to:

1           (1) continuation of coverage under Sections 367e,  
2           367f, 367g, 367h, 367j, 367.2, and 367.2-5 of the Illinois  
3           Insurance Code;

4           (2) conversion coverage under Sections 356d and  
5           367e(A) of the Illinois Insurance Code;

6           (3) preexisting conditions under:

7                 (i) Section 20 of the Illinois Health Insurance  
8                 Portability and Accountability Act;

9                 (ii) Section 367i of the Illinois Insurance Code;  
10                 and

11                 (iii) Part 2005 of Chapter 1 or Title 50 of the  
12                 Illinois Administrative Code;

13           (4) coverage for children, including newborn or  
14           adopted children, under Sections 356c, 356h, and 367b of  
15           the Illinois Insurance Code;

16           (5) timely payment of claims under Section 368a of the  
17           Illinois Insurance Code;

18           (6) a consumer's right to an adequate and accessible  
19           network under Section 370i of the Illinois Insurance Code.  
20           These rights shall not be waived under a Consumer Choice of  
21           Benefits Health Insurance Plan product;

22           (7) coverage for mental health services and mental  
23           illness rehabilitation services under Sections 367c and  
24           367d of the Illinois Insurance Code.

25           "State-mandated health benefits" does not include benefits  
26           that are mandated by federal law or standard provisions or

1 rights required under this Act or other laws of this State to  
2 be provided in an individual major medical or blanket policy  
3 for accident and health insurance that are unrelated to  
4 specific health illnesses, injuries, or conditions of an  
5 insured, including provisions related to:

6 (1) preexisting conditions under Part 2005 of Chapter 1  
7 of Title 50 of the Illinois Administrative Code;

8 (2) coverage for children, including newborn or  
9 adopted children, under Sections 356b, 356c, and 356h of  
10 the Illinois Insurance Code;

11 (3) timely payment of claims under Section 368a of the  
12 Illinois Insurance Code;

13 (4) a consumer's right to an adequate and accessible  
14 network under Section 370i of the Illinois Insurance Code;

15 (5) coverage requirements for individual policies  
16 outlined in Section 2007.70 of Title 50 of the Illinois  
17 Administrative Code. These rights shall not be waived under  
18 a Consumer Choice of Benefits Health Insurance Plan  
19 product.

20 Section 20. Consumer Choice of Benefits Health Insurance  
21 Plans authorized. An insurer may offer one or more Consumer  
22 Choice of Benefits Health Insurance Plans.

23 Section 25. Notice to policyholder and enrollees.

24 (a) Each written application for enrollment, including any

1 application for enrollment under a group policy, in a Consumer  
2 Choice of Benefits Health Insurance Plan must contain the  
3 following language at the beginning of the application in bold  
4 type:

5 "You have the option to choose this Consumer Choice of  
6 Benefits Health Insurance Plan that, either in whole or in  
7 part, does not provide state-mandated health insurance  
8 benefits normally required in accident and health  
9 insurance policies in Illinois. This Consumer Choice of  
10 Benefits Health Insurance Plan may provide a more  
11 affordable health insurance policy for you although, at the  
12 same time, it may provide you with fewer health insurance  
13 benefits than those normally included as state-mandated  
14 health insurance benefits in policies in Illinois. If you  
15 choose this Consumer Choice of Benefits Health Insurance  
16 Plan, please consult the insurance company or your  
17 employer's benefits department to determine which  
18 state-mandated health benefits are not included in this  
19 policy.".

20 (b) Each Consumer Choice of Benefits Health Insurance Plan  
21 must contain the following language at or near the beginning of  
22 the policy in bold type:

23 "This Consumer Choice of Benefits Health Insurance Plan,  
24 either in whole or in part, does not provide state-mandated  
25 health benefits normally required in accident and health  
26 insurance policies in Illinois. This Consumer Choice of

1 Benefits Health Insurance Plan may provide a more  
2 affordable health insurance policy for you although, at the  
3 same time, it may provide you with fewer health benefits  
4 than those normally included as state-mandated health  
5 benefits in policies in Illinois. Please consult with the  
6 insurance company or your employer's benefits department  
7 to determine which state-mandated health benefits are not  
8 included in this policy.".

9 Section 30. Disclosure statement.

10 (a) When a Consumer Choice of Benefits Health Insurance  
11 Plan policy is issued, an insurer providing a Consumer Choice  
12 of Benefits Health Insurance Plan must provide an applicant or  
13 subscriber with a written disclosure statement that:

14 (1) acknowledges that the Consumer Choice of Benefits  
15 Health Insurance Plan being purchased does not provide some  
16 or all state-mandated health benefits;

17 (2) lists those state-mandated health benefits not  
18 included under the Consumer Choice of Benefits Health  
19 Insurance Plan;

20 (3) provides a notice, if the Consumer Choice of  
21 Benefits Health Insurance Plan is issued to an individual  
22 policyholder, that purchasing a plan may limit the  
23 policyholder's future coverage options in the event the  
24 policyholder's health changes and needed benefits are not  
25 available under the Consumer Choice of Benefits Health



1 Insurance Plan; and

2 (4) includes a section that allows for a signature by  
3 the applicant or subscriber attesting to the fact that the  
4 applicant has read and understood the disclosure statement  
5 and attesting to the fact that the applicant or subscriber  
6 has in fact been given a choice between the Consumer Choice  
7 of Benefits Health Insurance Plan that they have chosen and  
8 a health insurance plan that includes all state-mandated  
9 health benefits.

10 (b) Each applicant and subscriber for initial coverage must  
11 sign the disclosure statement provided by the insurer under  
12 subsection (a) of this Section and return the statement to the  
13 insurer. Under a group policy or contract, the term "applicant"  
14 means the employer and the term "subscriber" means employee.  
15 Under an individual policy or contract "applicant" means the  
16 individual purchasing the policy.

17 (c) An insurer must:

18 (1) retain the signed disclosure statement in the  
19 insurer's records; and

20 (2) provide the signed disclosure statement to the  
21 Department upon request from the Director.

22 Section 35. Rules. The Director shall adopt rules as  
23 necessary to implement this Act.

24 Section 40. Additional policies. An insurer that offers one

1 or more Consumer Choice of Benefits Health Insurance Plans  
2 under this Act to an employer group must also offer to all  
3 eligible employees in the group at least one accident and  
4 health insurance policy that has been filed and approved with  
5 the Department and includes coverage for all state-mandated  
6 health benefits. An employer that offers a Consumer Choice of  
7 Benefits Health Insurance Plan to its eligible employees must  
8 offer at least one accident and health insurance policy that  
9 includes coverage for all state-mandated health benefits that  
10 has been filed and approved by the Department.

11 Section 45. Rates; rating and underwriting records.

12 (a) An insurer offering a Consumer Choice of Benefits  
13 Health Insurance Plan under this Act shall maintain at its  
14 principal place of business a complete and detailed description  
15 of its rating practices and renewal underwriting practices,  
16 including information and documentation that demonstrates that  
17 its rating methods and practices are based upon commonly  
18 accepted actuarial assumptions and are in accordance with sound  
19 actuarial principles and that the rates for the Consumer Choice  
20 of Benefits Health Insurance Plan reflect the difference in its  
21 benefit package from a non-Consumer Choice of Benefits Health  
22 Insurance Plan.

23 (b) Upon request, an insurer shall provide to the  
24 Department an actuarial certification certifying that the  
25 insurer is in compliance with this Act, and that the rating

1 methods of the insurer are actuarially sound. Such  
2 certification shall be in a form and manner and shall contain  
3 such information as specified by the Director. A copy of the  
4 certification shall be retained by the insurer at its principal  
5 place of business for a period of 3 years from the date of  
6 certification. This shall include any work papers prepared in  
7 support of the actuarial certification.

8 (c) Nothing in this Section shall be construed as granting  
9 the Director any power or authority to determine, fix,  
10 prescribe, or promulgate the rates to be charged for any  
11 individual or group accident and health insurance policy or  
12 policies issued under this Act.

13 Section 50. Applicability of Illinois Insurance Code  
14 provisions. All policies of accident and health insurance  
15 issued under this Act shall be subject to the provisions of  
16 subsection (a) of Section 356g and Sections 356c, 356n, 370,  
17 370a, 370e, and 370o of the Illinois Insurance Code.

18 Section 900. The Illinois Income Tax Act is amended by  
19 changing Section 203 and by adding Section 218 as follows:

20 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

21 Sec. 203. Base income defined.

22 (a) Individuals.

23 (1) In general. In the case of an individual, base

1 income means an amount equal to the taxpayer's adjusted  
2 gross income for the taxable year as modified by paragraph  
3 (2).

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

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

14 (B) An amount equal to the amount of tax imposed by  
15 this Act to the extent deducted from gross income in  
16 the computation of adjusted gross income for the  
17 taxable year;

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

1 the taxpayer's principal residence shall be that  
2 portion of the total taxes for the entire property  
3 which is attributable to such principal residence;

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

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

16 (D-10) For taxable years ending after December 31,  
17 1997, an amount equal to any eligible remediation costs  
18 that the individual deducted in computing adjusted  
19 gross income and for which the individual claims a  
20 credit under subsection (l) of Section 201;

21 (D-15) For taxable years 2001 and thereafter, an  
22 amount equal to the bonus depreciation deduction taken  
23 on the taxpayer's federal income tax return for the  
24 taxable year under subsection (k) of Section 168 of the  
25 Internal Revenue Code. For taxable years 2008 and  
26 thereafter, this subparagraph does not apply to bonus

1 depreciation deductions taken for health information  
2 technology on the taxpayer's federal income tax return  
3 for the taxable year under subsection (k) of Section  
4 168 of the Internal Revenue Code. "Health information  
5 technology" means information technology hardware or  
6 software that is used primarily for the electronic  
7 creation, maintenance, and exchange of medical care  
8 information to improve the quality or efficiency of  
9 medical care;

10 (D-16) If the taxpayer sells, transfers, abandons,  
11 or otherwise disposes of property for which the  
12 taxpayer was required in any taxable year to make an  
13 addition modification under subparagraph (D-15), then  
14 an amount equal to the aggregate amount of the  
15 deductions taken in all taxable years under  
16 subparagraph (Z) with respect to that property.

17 If the taxpayer continues to own property through  
18 the last day of the last tax year for which the  
19 taxpayer may claim a depreciation deduction for  
20 federal income tax purposes and for which the taxpayer  
21 was allowed in any taxable year to make a subtraction  
22 modification under subparagraph (Z), then an amount  
23 equal to that subtraction modification.

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

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

20 This paragraph shall not apply to the following:

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

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

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

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

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

23 (iv) an item of interest paid, accrued, or  
24 incurred, directly or indirectly, to a foreign  
25 person if the taxpayer establishes by clear and  
26 convincing evidence that the adjustments are



1           unreasonable; or if the taxpayer and the Director  
2           agree in writing to the application or use of an  
3           alternative method of apportionment under Section  
4           304(f).

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

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

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

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

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

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

24           (iii) any item of intangible expense or cost  
25           paid, accrued, or incurred, directly or  
26           indirectly, from a transaction with a foreign

1 person if the taxpayer establishes by clear and  
2 convincing evidence, that the adjustments are  
3 unreasonable; or if the taxpayer and the Director  
4 agree in writing to the application or use of an  
5 alternative method of apportionment under Section  
6 304(f);

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

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

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

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

1 Assembly are exempt from the provisions of Section 250;

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

13 (G) The valuation limitation amount;

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

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

22 (J) An amount equal to those dividends included in  
23 such total which were paid by a corporation which  
24 conducts business operations in an Enterprise Zone or  
25 zones created under the Illinois Enterprise Zone Act or  
26 a River Edge Redevelopment Zone or zones created under

1 the River Edge Redevelopment Zone Act, and conducts  
2 substantially all of its operations in an Enterprise  
3 Zone or zones or a River Edge Redevelopment Zone or  
4 zones. This subparagraph (J) is exempt from the  
5 provisions of Section 250;

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

15 (L) For taxable years ending after December 31,  
16 1983, an amount equal to all social security benefits  
17 and railroad retirement benefits included in such  
18 total pursuant to Sections 72(r) and 86 of the Internal  
19 Revenue Code;

20 (M) With the exception of any amounts subtracted  
21 under subparagraph (N), an amount equal to the sum of  
22 all amounts disallowed as deductions by (i) Sections  
23 171(a) (2), and 265(2) of the Internal Revenue Code of  
24 1954, as now or hereafter amended, and all amounts of  
25 expenses allocable to interest and disallowed as  
26 deductions by Section 265(1) of the Internal Revenue

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

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

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

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

24 (Q) An amount equal to any amounts included in such  
25 total, received by the taxpayer as an acceleration in  
26 the payment of life, endowment or annuity benefits in



1 advance of the time they would otherwise be payable as  
2 an indemnity for a terminal illness;

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

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

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

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

26 (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;

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

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

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

13 (Y) For taxable years beginning on or after January  
14 1, 2002 and ending on or before December 31, 2004,  
15 moneys contributed in the taxable year to a College  
16 Savings Pool account under Section 16.5 of the State  
17 Treasurer Act, except that amounts excluded from gross  
18 income under Section 529(c)(3)(C)(i) of the Internal  
19 Revenue Code shall not be considered moneys  
20 contributed under this subparagraph (Y). For taxable  
21 years beginning on or after January 1, 2005, a maximum  
22 of \$10,000 contributed in the taxable year to (i) a  
23 College Savings Pool account under Section 16.5 of the  
24 State Treasurer Act or (ii) the Illinois Prepaid  
25 Tuition Trust Fund, except that amounts excluded from  
26 gross income under Section 529(c)(3)(C)(i) of the

1 Internal Revenue Code shall not be considered moneys  
2 contributed under this subparagraph (Y). This  
3 subparagraph (Y) is exempt from the provisions of  
4 Section 250;

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

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

18 (2) for taxable years ending on or before  
19 December 31, 2005, "x" equals "y" multiplied by 30  
20 and then divided by 70 (or "y" multiplied by  
21 0.429); and

22 (3) for taxable years ending after December  
23 31, 2005:

24 (i) for property on which a bonus  
25 depreciation deduction of 30% of the adjusted  
26 basis was taken, "x" equals "y" multiplied by

1           30 and then divided by 70 (or "y" multiplied by  
2           0.429); and

3           (ii) for property on which a bonus  
4           depreciation deduction of 50% of the adjusted  
5           basis was taken, "x" equals "y" multiplied by  
6           1.0.

7           The aggregate amount deducted under this  
8           subparagraph in all taxable years for any one piece of  
9           property may not exceed the amount of the bonus  
10          depreciation deduction taken on that property on the  
11          taxpayer's federal income tax return under subsection  
12          (k) of Section 168 of the Internal Revenue Code. This  
13          subparagraph (Z) is exempt from the provisions of  
14          Section 250;

15          (AA) If the taxpayer sells, transfers, abandons,  
16          or otherwise disposes of property for which the  
17          taxpayer was required in any taxable year to make an  
18          addition modification under subparagraph (D-15), then  
19          an amount equal to that addition modification.

20          If the taxpayer continues to own property through  
21          the last day of the last tax year for which the  
22          taxpayer may claim a depreciation deduction for  
23          federal income tax purposes and for which the taxpayer  
24          was required in any taxable year to make an addition  
25          modification under subparagraph (D-15), then an amount  
26          equal to that addition modification.

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

4           This subparagraph (AA) is exempt from the  
5 provisions of Section 250;

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

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

25           (DD) An amount equal to the interest income taken  
26 into account for the taxable year (net of the

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

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

24          (b) Corporations.

25           (1) In general. In the case of a corporation, base



1 income means an amount equal to the taxpayer's taxable  
2 income for the taxable year as modified by paragraph (2).

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

6 (A) An amount equal to all amounts paid or accrued  
7 to the taxpayer as interest and all distributions  
8 received from regulated investment companies during  
9 the taxable year to the extent excluded from gross  
10 income in the computation of taxable income;

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

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

24 (D) The amount of any net operating loss deduction  
25 taken in arriving at taxable income, other than a net  
26 operating loss carried forward from a taxable year

1 ending prior to December 31, 1986;

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

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

20 (ii) the addition modification relating to the  
21 net operating loss carried back or forward to the  
22 taxable year from any taxable year ending prior to  
23 December 31, 1986 shall not exceed the amount of  
24 such carryback or carryforward;

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

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

6 (E-5) For taxable years ending after December 31,  
7 1997, an amount equal to any eligible remediation costs  
8 that the corporation deducted in computing adjusted  
9 gross income and for which the corporation claims a  
10 credit under subsection (l) of Section 201;

11 (E-10) For taxable years 2001 and thereafter, an  
12 amount equal to the bonus depreciation deduction taken  
13 on the taxpayer's federal income tax return for the  
14 taxable year under subsection (k) of Section 168 of the  
15 Internal Revenue Code. For taxable years 2008 and  
16 thereafter, this subparagraph does not apply to bonus  
17 depreciation deductions taken for health information  
18 technology on the taxpayer's federal income tax return  
19 for the taxable year under subsection (k) of Section  
20 168 of the Internal Revenue Code. "Health information  
21 technology" means information technology hardware or  
22 software that is used primarily for the electronic  
23 creation, maintenance, and exchange of medical care  
24 information to improve the quality or efficiency of  
25 medical care; and

26 (E-11) If the taxpayer sells, transfers, abandons,

1 or otherwise disposes of property for which the  
2 taxpayer was required in any taxable year to make an  
3 addition modification under subparagraph (E-10), then  
4 an amount equal to the aggregate amount of the  
5 deductions taken in all taxable years under  
6 subparagraph (T) with respect to that property.

7 If the taxpayer continues to own property through  
8 the last day of the last tax year for which the  
9 taxpayer may claim a depreciation deduction for  
10 federal income tax purposes and for which the taxpayer  
11 was allowed in any taxable year to make a subtraction  
12 modification under subparagraph (T), then an amount  
13 equal to that subtraction modification.

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

17 (E-12) For taxable years ending on or after  
18 December 31, 2004, an amount equal to the amount  
19 otherwise allowed as a deduction in computing base  
20 income for interest paid, accrued, or incurred,  
21 directly or indirectly, to a foreign person who would  
22 be a member of the same unitary business group but for  
23 the fact the foreign person's business activity  
24 outside the United States is 80% or more of the foreign  
25 person's total business activity. The addition  
26 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 pursuant to Sections 951  
6 through 964 of the Internal Revenue Code and amounts  
7 included in gross income under Section 78 of the  
8 Internal Revenue Code) with respect to the stock of the  
9 same person to whom the interest was paid, accrued, or  
10 incurred.

11 This paragraph shall not apply to the following:

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

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

23 (a) the foreign person, during the same  
24 taxable year, paid, accrued, or incurred, the  
25 interest to a person that is not a related  
26 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

1           pursuant to regulation adopted by the Department  
2           and such regulations provide methods and standards  
3           by which the Department will utilize its authority  
4           under Section 404 of this Act;

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

1 dividends caused a reduction to the addition  
2 modification required under Section 203(b)(2)(E-12) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes (1) expenses,  
5 losses, and costs for, or related to, the direct or  
6 indirect acquisition, use, maintenance or management,  
7 ownership, sale, exchange, or any other disposition of  
8 intangible property; (2) losses incurred, directly or  
9 indirectly, from factoring transactions or discounting  
10 transactions; (3) royalty, patent, technical, and  
11 copyright fees; (4) licensing fees; and (5) other  
12 similar expenses and costs. For purposes of this  
13 subparagraph, "intangible property" includes patents,  
14 patent applications, trade names, trademarks, service  
15 marks, copyrights, mask works, trade secrets, and  
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

25 (ii) any item of intangible expense or cost  
26 paid, accrued, or incurred, directly or



1 indirectly, if the taxpayer can establish, based  
2 on a preponderance of the evidence, both of the  
3 following:

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

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

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

24 Nothing in this subsection shall preclude the  
25 Director from making any other adjustment  
26 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 and by deducting from the total so obtained the sum of the  
8 following amounts:

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

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

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

19 (I) With the exception of any amounts subtracted  
20 under subparagraph (J), an amount equal to the sum of  
21 all amounts disallowed as deductions by (i) Sections  
22 171(a) (2), and 265(a) (2) and amounts disallowed as  
23 interest expense by Section 291(a) (3) of the Internal  
24 Revenue Code, as now or hereafter amended, and all  
25 amounts of expenses allocable to interest and  
26 disallowed as deductions by Section 265(a) (1) of the

1 Internal Revenue Code, as now or hereafter amended; and  
2 (ii) for taxable years ending on or after August 13,  
3 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
4 832(b)(5)(B)(i) of the Internal Revenue Code; the  
5 provisions of this subparagraph are exempt from the  
6 provisions of Section 250;

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

16 (K) An amount equal to those dividends included in  
17 such total which were paid by a corporation which  
18 conducts business operations in an Enterprise Zone or  
19 zones created under the Illinois Enterprise Zone Act or  
20 a River Edge Redevelopment Zone or zones created under  
21 the River Edge Redevelopment Zone Act and conducts  
22 substantially all of its operations in an Enterprise  
23 Zone or zones or a River Edge Redevelopment Zone or  
24 zones. This subparagraph (K) is exempt from the  
25 provisions of Section 250;

26 (L) An amount equal to those dividends included in

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

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

1 year under this subsection shall be that portion of the  
2 total interest paid by the borrower with respect to  
3 such loan attributable to the eligible property as  
4 calculated under the previous sentence. This  
5 subparagraph (M) is exempt from the provisions of  
6 Section 250;

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

1 subtraction modification available to taxpayers in any  
2 year under this subsection shall be that portion of the  
3 total interest paid by the borrower with respect to  
4 such loan attributable to the eligible property as  
5 calculated under the previous sentence;

6 (N) Two times any contribution made during the  
7 taxable year to a designated zone organization to the  
8 extent that the contribution (i) qualifies as a  
9 charitable contribution under subsection (c) of  
10 Section 170 of the Internal Revenue Code and (ii) must,  
11 by its terms, be used for a project approved by the  
12 Department of Commerce and Economic Opportunity under  
13 Section 11 of the Illinois Enterprise Zone Act or under  
14 Section 10-10 of the ~~Illinois~~ River Edge Redevelopment  
15 Zone Act. This subparagraph (N) is exempt from the  
16 provisions of Section 250;

17 (O) An amount equal to: (i) 85% for taxable years  
18 ending on or before December 31, 1992, or, a percentage  
19 equal to the percentage allowable under Section  
20 243(a)(1) of the Internal Revenue Code of 1986 for  
21 taxable years ending after December 31, 1992, of the  
22 amount by which dividends included in taxable income  
23 and received from a corporation that is not created or  
24 organized under the laws of the United States or any  
25 state or political subdivision thereof, including, for  
26 taxable years ending on or after December 31, 1988,

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

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

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

1           (R) On and after July 20, 1999, in the case of an  
2 attorney-in-fact with respect to whom an interinsurer  
3 or a reciprocal insurer has made the election under  
4 Section 835 of the Internal Revenue Code, 26 U.S.C.  
5 835, an amount equal to the excess, if any, of the  
6 amounts paid or incurred by that interinsurer or  
7 reciprocal insurer in the taxable year to the  
8 attorney-in-fact over the deduction allowed to that  
9 interinsurer or reciprocal insurer with respect to the  
10 attorney-in-fact under Section 835(b) of the Internal  
11 Revenue Code for the taxable year; the provisions of  
12 this subparagraph are exempt from the provisions of  
13 Section 250;

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

24           (T) For taxable years 2001 and thereafter, for the  
25 taxable year in which the bonus depreciation deduction  
26 is taken on the taxpayer's federal income tax return



1 under subsection (k) of Section 168 of the Internal  
2 Revenue Code and for each applicable taxable year  
3 thereafter, an amount equal to "x", where:

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

11 (2) for taxable years ending on or before  
12 December 31, 2005, "x" equals "y" multiplied by 30  
13 and then divided by 70 (or "y" multiplied by  
14 0.429); and

15 (3) for taxable years ending after December  
16 31, 2005:

17 (i) for property on which a bonus  
18 depreciation deduction of 30% of the adjusted  
19 basis was taken, "x" equals "y" multiplied by  
20 30 and then divided by 70 (or "y" multiplied by  
21 0.429); and

22 (ii) for property on which a bonus  
23 depreciation deduction of 50% of the adjusted  
24 basis was taken, "x" equals "y" multiplied by  
25 1.0.

26 The aggregate amount deducted under this

1           subparagraph in all taxable years for any one piece of  
2           property may not exceed the amount of the bonus  
3           depreciation deduction taken on that property on the  
4           taxpayer's federal income tax return under subsection  
5           (k) of Section 168 of the Internal Revenue Code. This  
6           subparagraph (T) is exempt from the provisions of  
7           Section 250;

8           (U) If the taxpayer sells, transfers, abandons, or  
9           otherwise disposes of property for which the taxpayer  
10          was required in any taxable year to make an addition  
11          modification under subparagraph (E-10), then an amount  
12          equal to that addition modification.

13          If the taxpayer continues to own property through  
14          the last day of the last tax year for which the  
15          taxpayer may claim a depreciation deduction for  
16          federal income tax purposes and for which the taxpayer  
17          was required in any taxable year to make an addition  
18          modification under subparagraph (E-10), then an amount  
19          equal to that addition modification.

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

23          This subparagraph (U) is exempt from the  
24          provisions of Section 250;

25          (V) The amount of: (i) any interest income (net of  
26          the deductions allocable thereto) taken into account

1 for the taxable year with respect to a transaction with  
2 a taxpayer that is required to make an addition  
3 modification with respect to such transaction under  
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
6 the amount of such addition modification and (ii) any  
7 income from intangible property (net of the deductions  
8 allocable thereto) taken into account for the taxable  
9 year with respect to a transaction with a taxpayer that  
10 is required to make an addition modification with  
11 respect to such transaction under Section  
12 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
13 203(d)(2)(D-8), but not to exceed the amount of such  
14 addition modification;

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

1           (X) 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(b)(2)(E-13) for  
11          intangible expenses and costs paid, accrued, or  
12          incurred, directly or indirectly, to the same foreign  
13          person.

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

18          (c) Trusts and estates.

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

22               (2) Modifications. Subject to the provisions of  
23               paragraph (3), the taxable income referred to in paragraph  
24               (1) shall be modified by adding thereto the sum of the  
25               following amounts:

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

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

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

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

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

1           they are listed:

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

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

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

22                      (F) For taxable years ending on or after January 1,  
23                      1989, an amount equal to the tax deducted pursuant to  
24                      Section 164 of the Internal Revenue Code if the trust  
25                      or estate is claiming the same tax for purposes of the  
26                      Illinois foreign tax credit under Section 601 of this

1 Act;

2 (G) An amount equal to the amount of the capital  
3 gain deduction allowable under the Internal Revenue  
4 Code, to the extent deducted from gross income in the  
5 computation of taxable income;

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

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

16 (G-11) If the taxpayer sells, transfers, abandons,  
17 or otherwise disposes of property for which the  
18 taxpayer was required in any taxable year to make an  
19 addition modification under subparagraph (G-10), then  
20 an amount equal to the aggregate amount of the  
21 deductions taken in all taxable years under  
22 subparagraph (R) with respect to that property.

23 If the taxpayer continues to own property through  
24 the last day of the last tax year for which the  
25 taxpayer may claim a depreciation deduction for  
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction  
2 modification under subparagraph (R), then an amount  
3 equal to that subtraction modification.

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

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



1 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) the taxpayer can establish, based on  
25 clear and convincing evidence, that the interest  
26 paid, accrued, or incurred relates to a contract or

1 agreement entered into at arm's-length rates and  
2 terms and the principal purpose for the payment is  
3 not federal or Illinois tax avoidance; or

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

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

21 (G-13) For taxable years ending on or after  
22 December 31, 2004, an amount equal to the amount of  
23 intangible expenses and costs otherwise allowed as a  
24 deduction in computing base income, and that were paid,  
25 accrued, or incurred, directly or indirectly, to a  
26 foreign person who would be a member of the same

1 unitary business group but for the fact that the  
2 foreign person's business activity outside the United  
3 States is 80% or more of that person's total business  
4 activity. The addition modification required by this  
5 subparagraph shall be reduced to the extent that  
6 dividends were included in base income of the unitary  
7 group for the same taxable year and received by the  
8 taxpayer or by a member of the taxpayer's unitary  
9 business group (including amounts included in gross  
10 income pursuant to Sections 951 through 964 of the  
11 Internal Revenue Code and amounts included in gross  
12 income under Section 78 of the Internal Revenue Code)  
13 with respect to the stock of the same person to whom  
14 the intangible expenses and costs were directly or  
15 indirectly paid, incurred, or accrued. The preceding  
16 sentence shall not apply to the extent that the same  
17 dividends caused a reduction to the addition  
18 modification required under Section 203(c)(2)(G-12) of  
19 this Act. As used in this subparagraph, the term  
20 "intangible expenses and costs" includes: (1)  
21 expenses, losses, and costs for or related to the  
22 direct or indirect acquisition, use, maintenance or  
23 management, ownership, sale, exchange, or any other  
24 disposition of intangible property; (2) losses  
25 incurred, directly or indirectly, from factoring  
26 transactions or discounting transactions; (3) royalty,

1 patent, technical, and copyright fees; (4) licensing  
2 fees; and (5) other similar expenses and costs. For  
3 purposes of this subparagraph, "intangible property"  
4 includes patents, patent applications, trade names,  
5 trademarks, service marks, copyrights, mask works,  
6 trade secrets, and similar types of intangible assets.

7 This paragraph shall not apply to the following:

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

15 (ii) any item of intangible expense or cost  
16 paid, accrued, or incurred, directly or  
17 indirectly, if the taxpayer can establish, based  
18 on a preponderance of the evidence, both of the  
19 following:

20 (a) the foreign person during the same  
21 taxable year paid, accrued, or incurred, the  
22 intangible expense or cost to a person that is  
23 not a related member, and

24 (b) the transaction giving rise to the  
25 intangible expense or cost between the  
26 taxpayer and the foreign person did not have as

1 a principal purpose the avoidance of Illinois  
2 income tax, and is paid pursuant to a contract  
3 or agreement that reflects arm's-length terms;  
4 or

5 (iii) any item of intangible expense or cost  
6 paid, accrued, or incurred, directly or  
7 indirectly, from a transaction with a foreign  
8 person if the taxpayer establishes by clear and  
9 convincing evidence, that the adjustments are  
10 unreasonable; or if the taxpayer and the Director  
11 agree in writing to the application or use of an  
12 alternative method of apportionment under Section  
13 304(f);

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

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

25 (H) An amount equal to all amounts included in such  
26 total pursuant to the provisions of Sections 402(a),

1 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
2 Internal Revenue Code or included in such total as  
3 distributions under the provisions of any retirement  
4 or disability plan for employees of any governmental  
5 agency or unit, or retirement payments to retired  
6 partners, which payments are excluded in computing net  
7 earnings from self employment by Section 1402 of the  
8 Internal Revenue Code and regulations adopted pursuant  
9 thereto;

10 (I) The valuation limitation amount;

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

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

25 (L) With the exception of any amounts subtracted  
26 under subparagraph (K), an amount equal to the sum of

1 all amounts disallowed as deductions by (i) Sections  
2 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
3 as now or hereafter amended, and all amounts of  
4 expenses allocable to interest and disallowed as  
5 deductions by Section 265(1) of the Internal Revenue  
6 Code of 1954, as now or hereafter amended; and (ii) for  
7 taxable years ending on or after August 13, 1999,  
8 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
9 the Internal Revenue Code; the provisions of this  
10 subparagraph are exempt from the provisions of Section  
11 250;

12 (M) An amount equal to those dividends included in  
13 such total which were paid by a corporation which  
14 conducts business operations in an Enterprise Zone or  
15 zones created under the Illinois Enterprise Zone Act or  
16 a River Edge Redevelopment Zone or zones created under  
17 the River Edge Redevelopment Zone Act and conducts  
18 substantially all of its operations in an Enterprise  
19 Zone or Zones or a River Edge Redevelopment Zone or  
20 zones. This subparagraph (M) is exempt from the  
21 provisions of Section 250;

22 (N) An amount equal to any contribution made to a  
23 job training project established pursuant to the Tax  
24 Increment Allocation Redevelopment Act;

25 (O) An amount equal to those dividends included in  
26 such total that were paid by a corporation that

1 conducts business operations in a federally designated  
2 Foreign Trade Zone or Sub-Zone and that is designated a  
3 High Impact Business located in Illinois; provided  
4 that dividends eligible for the deduction provided in  
5 subparagraph (M) of paragraph (2) of this subsection  
6 shall not be eligible for the deduction provided under  
7 this subparagraph (O);

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

13 (Q) For taxable year 1999 and thereafter, an amount  
14 equal to the amount of any (i) distributions, to the  
15 extent includible in gross income for federal income  
16 tax purposes, made to the taxpayer because of his or  
17 her status as a victim of persecution for racial or  
18 religious reasons by Nazi Germany or any other Axis  
19 regime or as an heir of the victim and (ii) items of  
20 income, to the extent includible in gross income for  
21 federal income tax purposes, attributable to, derived  
22 from or in any way related to assets stolen from,  
23 hidden from, or otherwise lost to a victim of  
24 persecution for racial or religious reasons by Nazi  
25 Germany or any other Axis regime immediately prior to,  
26 during, and immediately after World War II, including,



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

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

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

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

7 (2) for taxable years ending on or before  
8 December 31, 2005, "x" equals "y" multiplied by 30  
9 and then divided by 70 (or "y" multiplied by  
10 0.429); and

11 (3) for taxable years ending after December  
12 31, 2005:

13 (i) for property on which a bonus  
14 depreciation deduction of 30% of the adjusted  
15 basis was taken, "x" equals "y" multiplied by  
16 30 and then divided by 70 (or "y" multiplied by  
17 0.429); and

18 (ii) for property on which a bonus  
19 depreciation deduction of 50% of the adjusted  
20 basis was taken, "x" equals "y" multiplied by  
21 1.0.

22 The aggregate amount deducted under this  
23 subparagraph in all taxable years for any one piece of  
24 property may not exceed the amount of the bonus  
25 depreciation deduction taken on that property on the  
26 taxpayer's federal income tax return under subsection

1 (k) of Section 168 of the Internal Revenue Code. This  
2 subparagraph (R) is exempt from the provisions of  
3 Section 250;

4 (S) If the taxpayer sells, transfers, abandons, or  
5 otherwise disposes of property for which the taxpayer  
6 was required in any taxable year to make an addition  
7 modification under subparagraph (G-10), then an amount  
8 equal to that addition modification.

9 If the taxpayer continues to own property through  
10 the last day of the last tax year for which the  
11 taxpayer may claim a depreciation deduction for  
12 federal income tax purposes and for which the taxpayer  
13 was required in any taxable year to make an addition  
14 modification under subparagraph (G-10), then an amount  
15 equal to that addition modification.

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

19 This subparagraph (S) is exempt from the  
20 provisions of Section 250;

21 (T) The amount of (i) any interest income (net of  
22 the deductions allocable thereto) taken into account  
23 for the taxable year with respect to a transaction with  
24 a taxpayer that is required to make an addition  
25 modification with respect to such transaction under  
26 Section 203(a)(2)(D-17), 203(b)(2)(E-12),

1           203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
2           the amount of such addition modification and (ii) any  
3           income from intangible property (net of the deductions  
4           allocable thereto) taken into account for the taxable  
5           year with respect to a transaction with a taxpayer that  
6           is required to make an addition modification with  
7           respect to such transaction under Section  
8           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
9           203(d)(2)(D-8), but not to exceed the amount of such  
10          addition modification;

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

23           (V) An amount equal to the income from intangible  
24          property taken into account for the taxable year (net  
25          of the deductions allocable thereto) with respect to  
26          transactions with a foreign person who would be a

1 member of the taxpayer's unitary business group but for  
2 the fact that the foreign person's business activity  
3 outside the United States is 80% or more of that  
4 person's total business activity, but not to exceed the  
5 addition modification required to be made for the same  
6 taxable year under Section 203(c)(2)(G-13) for  
7 intangible expenses and costs paid, accrued, or  
8 incurred, directly or indirectly, to the same foreign  
9 person.

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

17 (d) Partnerships.

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

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

24 (A) An amount equal to all amounts paid or accrued  
25 to the taxpayer as interest or dividends during the

1 taxable year to the extent excluded from gross income  
2 in the computation of taxable income;

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

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

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

13 (D-5) For taxable years 2001 and thereafter, an  
14 amount equal to the bonus depreciation deduction taken  
15 on the taxpayer's federal income tax return for the  
16 taxable year under subsection (k) of Section 168 of the  
17 Internal Revenue Code;

18 (D-6) If the taxpayer sells, transfers, abandons,  
19 or otherwise disposes of property for which the  
20 taxpayer was required in any taxable year to make an  
21 addition modification under subparagraph (D-5), then  
22 an amount equal to the aggregate amount of the  
23 deductions taken in all taxable years under  
24 subparagraph (D) with respect to that property.

25 If the taxpayer continues to own property through  
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for  
2 federal income tax purposes and for which the taxpayer  
3 was allowed in any taxable year to make a subtraction  
4 modification under subparagraph (O), then an amount  
5 equal to that subtraction modification.

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 (D-7) For taxable years ending on or after December  
10 31, 2004, an amount equal to the amount otherwise  
11 allowed as a deduction in computing base income for  
12 interest paid, accrued, or incurred, directly or  
13 indirectly, to a foreign person who would be a member  
14 of the same unitary business group but for the fact the  
15 foreign person's business activity outside the United  
16 States is 80% or more of the foreign person's total  
17 business activity. The addition modification required  
18 by this subparagraph shall be reduced to the extent  
19 that dividends were included in base income of the  
20 unitary group for the same taxable year and received by  
21 the taxpayer or by a member of the taxpayer's unitary  
22 business group (including amounts included in gross  
23 income pursuant to Sections 951 through 964 of the  
24 Internal Revenue Code and amounts included in gross  
25 income under Section 78 of the Internal Revenue Code)  
26 with respect to the stock of the same person to whom

1 the interest was paid, accrued, or incurred.

2 This paragraph shall not apply to the following:

3 (i) an item of interest paid, accrued, or  
4 incurred, directly or indirectly, to 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 interest; or

9 (ii) an item of interest paid, accrued, or  
10 incurred, directly or indirectly, to a foreign  
11 person if the taxpayer can establish, based on a  
12 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 interest to a person that is not a related  
17 member, and

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

25 (iii) the taxpayer can establish, based on  
26 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; and

22          (D-8) For taxable years ending on or after December  
23          31, 2004, an amount equal to the amount of intangible  
24          expenses and costs otherwise allowed as a deduction in  
25          computing base income, and that were paid, accrued, or  
26          incurred, directly or indirectly, to a foreign person

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

1 (3) royalty, patent, technical, and copyright fees;  
2 (4) licensing fees; and (5) other similar expenses and  
3 costs. For purposes of this subparagraph, "intangible  
4 property" includes patents, patent applications, trade  
5 names, trademarks, service marks, copyrights, mask  
6 works, trade secrets, and similar types of intangible  
7 assets;

8 This paragraph shall not apply to the following:

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

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

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

25 (b) the transaction giving rise to the  
26 intangible expense or cost between the

1 taxpayer and the foreign person did not have as  
2 a principal purpose the avoidance of Illinois  
3 income tax, and is paid pursuant to a contract  
4 or agreement that reflects arm's-length terms;  
5 or

6 (iii) any item of intangible expense or cost  
7 paid, accrued, or incurred, directly or  
8 indirectly, from a transaction with a foreign  
9 person if the taxpayer establishes by clear and  
10 convincing evidence, that the adjustments are  
11 unreasonable; or if the taxpayer and the Director  
12 agree in writing to the application or use of an  
13 alternative method of apportionment under Section  
14 304(f);

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

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

26 (E) The valuation limitation amount;

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

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

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

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

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

14           (K) An amount equal to those dividends included in  
15 such total which were paid by a corporation which  
16 conducts business operations in an Enterprise Zone or  
17 zones created under the Illinois Enterprise Zone Act,  
18 enacted by the 82nd General Assembly, or a River Edge  
19 Redevelopment Zone or zones created under the River  
20 Edge Redevelopment Zone Act and conducts substantially  
21 all of its operations in an Enterprise Zone or Zones or  
22 from a River Edge Redevelopment Zone or zones. This  
23 subparagraph (K) is exempt from the provisions of  
24 Section 250;

25           (L) An amount equal to any contribution made to a  
26 job training project established pursuant to the Real

1 Property Tax Increment Allocation Redevelopment Act;

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

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

16 (O) For taxable years 2001 and thereafter, for the  
17 taxable year in which the bonus depreciation deduction  
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 was  
26 taken in any year under subsection (k) of Section

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

3 (2) for taxable years ending on or before  
4 December 31, 2005, "x" equals "y" multiplied by 30  
5 and then divided by 70 (or "y" multiplied by  
6 0.429); and

7 (3) for taxable years ending after December  
8 31, 2005:

9 (i) for property on which a bonus  
10 depreciation deduction of 30% of the adjusted  
11 basis was taken, "x" equals "y" multiplied by  
12 30 and then divided by 70 (or "y" multiplied by  
13 0.429); and

14 (ii) for property on which a bonus  
15 depreciation deduction of 50% of the adjusted  
16 basis was taken, "x" equals "y" multiplied by  
17 1.0.

18 The aggregate amount deducted under this  
19 subparagraph in all taxable years for any one piece of  
20 property may not exceed the amount of the bonus  
21 depreciation deduction taken on that property on the  
22 taxpayer's federal income tax return under subsection  
23 (k) of Section 168 of the Internal Revenue Code. This  
24 subparagraph (O) is exempt from the provisions of  
25 Section 250;

26 (P) If the taxpayer sells, transfers, abandons, or



1 otherwise disposes of property for which the taxpayer  
2 was required in any taxable year to make an addition  
3 modification under subparagraph (D-5), then an amount  
4 equal to that addition modification.

5 If the taxpayer continues to own property through  
6 the last day of the last tax year for which the  
7 taxpayer may claim a depreciation deduction for  
8 federal income tax purposes and for which the taxpayer  
9 was required in any taxable year to make an addition  
10 modification under subparagraph (D-5), then an amount  
11 equal to that addition 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 This subparagraph (P) is exempt from the  
16 provisions of Section 250;

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

1 year with respect to a transaction with a taxpayer that  
2 is required to make an addition modification with  
3 respect to such transaction under Section  
4 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
5 203(d)(2)(D-8), but not to exceed the amount of such  
6 addition modification;

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

19 (S) An amount equal to the income from intangible  
20 property taken into account for the taxable year (net  
21 of the deductions allocable thereto) with respect to  
22 transactions with a foreign person who would be a  
23 member of the taxpayer's unitary business group but for  
24 the fact that the foreign person's business activity  
25 outside the United States is 80% or more of that  
26 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(d)(2)(D-8) for  
3           intangible expenses and costs paid, accrued, or  
4           incurred, directly or indirectly, to the same foreign  
5           person.

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

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

1 insurance company taxable income;

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

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

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

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

1           (G) Subchapter S corporations. In the case of: (i)  
2           a Subchapter S corporation for which there is in effect  
3           an election for the taxable year under Section 1362 of  
4           the Internal Revenue Code, the taxable income of such  
5           corporation determined in accordance with Section  
6           1363(b) of the Internal Revenue Code, except that  
7           taxable income shall take into account those items  
8           which are required by Section 1363(b)(1) of the  
9           Internal Revenue Code to be separately stated; and (ii)  
10          a Subchapter S corporation for which there is in effect  
11          a federal election to opt out of the provisions of the  
12          Subchapter S Revision Act of 1982 and have applied  
13          instead the prior federal Subchapter S rules as in  
14          effect on July 1, 1982, the taxable income of such  
15          corporation determined in accordance with the federal  
16          Subchapter S rules as in effect on July 1, 1982; and

17          (H) Partnerships. In the case of a partnership,  
18          taxable income determined in accordance with Section  
19          703 of the Internal Revenue Code, except that taxable  
20          income shall take into account those items which are  
21          required by Section 703(a)(1) to be separately stated  
22          but which would be taken into account by an individual  
23          in calculating his taxable income.

24          (3) Recapture of business expenses on disposition of  
25          asset or business. Notwithstanding any other law to the  
26          contrary, if in prior years income from an asset or

1 business has been classified as business income and in a  
2 later year is demonstrated to be non-business income, then  
3 all expenses, without limitation, deducted in such later  
4 year and in the 2 immediately preceding taxable years  
5 related to that asset or business that generated the  
6 non-business income shall be added back and recaptured as  
7 business income in the year of the disposition of the asset  
8 or business. Such amount shall be apportioned to Illinois  
9 using the greater of the apportionment fraction computed  
10 for the business under Section 304 of this Act for the  
11 taxable year or the average of the apportionment fractions  
12 computed for the business under Section 304 of this Act for  
13 the taxable year and for the 2 immediately preceding  
14 taxable years.

15 (f) Valuation limitation amount.

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

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

24 (B) The lesser of (i) the sum of the pre-August 1,  
25 1969 appreciation amounts (to the extent consisting of  
26 capital gain) for all property in respect of which such

1 gain was reported for federal income tax purposes for  
2 the taxable year, or (ii) the net capital gain for the  
3 taxable year, reduced in either case by any amount of  
4 such gain included in the amount determined under  
5 subsection (a) (2) (F) or (c) (2) (H).

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

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

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



1 full calendar months in the taxpayer's entire holding  
2 period for the property.

3 (C) The Department shall prescribe such  
4 regulations as may be necessary to carry out the  
5 purposes of this paragraph.

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

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

18 (Source: P.A. 93-812, eff. 7-26-04; 93-840, eff. 7-30-04;  
19 94-776, eff. 5-19-06; 94-789, eff. 5-19-06; 94-1021, eff.  
20 7-12-06; 94-1074, eff. 12-26-06; revised 1-2-07.)

21 (35 ILCS 5/218 new)

22 Sec. 218. Employer health insurance contribution credit.

23 (a) For taxable years ending on or after December 31, 2008,

1 each taxpayer who is an employer that makes a contribution to  
2 the cost of health care benefits that the employer provides to  
3 its employees is entitled to a credit against the tax imposed  
4 under subsections (a) and (b) of Section 201 of this Act in an  
5 amount equal to 33% of the contributed amount.

6 (b) For partners, shareholders of Subchapter S  
7 corporations, and owners of limited liability companies, if the  
8 liability company is treated as a partnership for purposes of  
9 federal and State income taxation, there is allowed a credit  
10 against the tax imposed under subsections (a) and (b) of  
11 Section 201 of the Illinois Income Tax Act in an amount equal  
12 to 33% of the contributed amount under this Section to be  
13 determined in accordance with the determination of income and  
14 distributive share of income under Sections 702 and 704 and  
15 Subchapter S of the Internal Revenue Code.

16 (c) This Section applies only if:

17 (1) the employer employs fewer than 10 full-time  
18 employees during the employer's taxable year; and

19 (2) a federal waiver has been approved by the Centers  
20 for Medicare and Medicaid Services of the U.S. Department  
21 of Health and Human Services for the funding for the  
22 credits provided under this Section.

23 (d) The Department shall develop rules for the apportioning  
24 of credits if the funds obtained by the federal waiver are  
25 insufficient to pay the credits due under this Section.

26 (e) The credit under this Section may not be carried

1 forward or back. In no event shall a credit under this Section  
2 reduce the taxpayer's liability to less than zero.

3 Section 905. The Illinois Insurance Code is amended by  
4 adding Articles XLV and XLVI as follows:

5 (215 ILCS 5/Art. XLV heading new)

6 ARTICLE XLV. ILLINOIS INNOVATIVE INSURANCE SOLUTIONS

7 (215 ILCS 5/1500 new)

8 Sec. 1500. Short title. This Article may be cited as the  
9 Illinois Innovative Insurance Solutions Law.

10 (215 ILCS 5/1505 new)

11 Sec. 1505. Purpose. It is hereby determined and declared  
12 that the purpose of this Article is to establish a program,  
13 called the Illinois Innovative Insurance Solutions Program,  
14 whereby health insurance carriers may develop and submit to the  
15 Director of Insurance for consideration and approval, policies  
16 or plans of individual major medical, blanket, or group major  
17 medical accident and health insurance having the potential to  
18 increase Illinois residents' access to health care coverage,  
19 but which may not otherwise meet existing regulatory  
20 requirements. The Director of Insurance is authorized by this  
21 Section to grant approval of such innovative products on a  
22 limited, pilot program basis in order that any overriding

1 potential to increase access to health care may be assessed on  
2 a limited trial basis. The purpose of this program is to  
3 encourage private health insurance market innovation and  
4 creativity in order to arrive at viable solutions for providing  
5 health insurance coverage and access to previously uninsured  
6 Illinois residents.

7 (215 ILCS 5/1510 new)

8 Sec. 1510. Director approval of product. Carriers  
9 proposing accident and health policies or plans subject to the  
10 Illinois Innovative Insurance Solutions Program shall submit,  
11 to the Director of Insurance a sample policy and a summary  
12 sheet indicating which policy provisions differ from existing  
13 Illinois law, what the target consumer market is for the  
14 product, an actuarial review of the policy, and a detailed  
15 explanation as to how the product is anticipated to increase  
16 access to healthcare coverage for uninsured Illinois  
17 residents. The Director of Insurance must approve any such  
18 policies or plans before the carrier can market the policies or  
19 plans. The Director of Insurance shall provide a decision in  
20 writing to the carrier within 180 days of receipt of the  
21 carrier's submittal as to whether the policy meets the  
22 requirements of this Act.

23 Any policy or plan approved under this Act must comply with  
24 the following provisions:

25 (1) preexisting conditions under Part 2005 of Title 50

1 of the Illinois Administrative Code;

2 (2) coverage for children, including newborn or  
3 adopted children, under Sections 356b, 356c, and 356h of  
4 this Code;

5 (3) timely payment of claims under Section 368a of this  
6 Code;

7 (4) a consumers right to an adequate and accessible  
8 network under Section 370i of the Code; and

9 (5) coverage requirements for individual policies  
10 outlined in Section 2007.70 of Title 50 of the Illinois  
11 Administrative Code.

12 These protections may not be waived under a plan or product  
13 authorized under this Act.

14 (215 ILCS 5/Art. XLVI heading new)

15 ARTICLE XLVI. ILLINOIS HEALTH INSURANCE PREMIUM ASSISTANCE

16 (215 ILCS 5/1600 new)

17 Sec. 1600. Short title. This Article may be cited as the  
18 Illinois Health Insurance Premium Assistance Program.

19 (215 ILCS 5/1605 new)

20 Sec. 1605. Legislative intent. The General Assembly finds  
21 that, for the economic and social benefit of all residents of  
22 this State, it is important to enable all State residents to  
23 access affordable health insurance coverage.

1 (215 ILCS 5/1610 new)

2 Sec. 1610. Definitions. In this Act:

3 "Carrier" is as defined in the Small Employer Health  
4 Insurance Rating Act.

5 "Department" means the Department of Healthcare and Family  
6 Services.

7 "Employee" has the same meaning as provided in the Illinois  
8 Health Insurance Portability and Accountability Act.

9 "Eligible individual" means an individual who:

10 (1) is a resident of the State of Illinois;

11 (2) is not eligible for Medicare;

12 (3) except as otherwise provided by the Department, has  
13 family income less than 300% of the federal poverty level  
14 or, if the individual is not married, has income less than  
15 100% of the federal poverty level;

16 (4) has investments, savings or other assets less than  
17 the limit established by the Department; and

18 (5) Meets other eligibility criteria established by  
19 the Department.

20 "Family" means:

21 (1) a single individual;

22 (2) an adult and the adult's spouse;

23 (3) an adult and the adult's spouse, all unmarried,  
24 dependent children less than 23 years of age, including  
25 adopted children, children placed for adoption and

1 children under the legal guardianship of the adult or the  
2 adult's spouse;

3 (4) an adult and the adult's unmarried, dependent  
4 children less than 23 years of age, including adopted  
5 children, children placed for adoption and children under  
6 the legal guardianship of the adult; or

7 (5) a dependent elderly relative or a dependent adult  
8 disabled child who meets criteria established by the  
9 Department and who lives in the home of the adult described  
10 in 1, 2, 3, or 4 of this subsection.

11 "Federal poverty level" means the federal poverty level  
12 guidelines published annually by the United States Department  
13 of Health and Human Services.

14 "Family member" means an employee's spouse, any unmarried  
15 child or stepchild within age limits and other conditions  
16 imposed by the Department of Professional and Financial  
17 Regulation's Division of Insurance with regard to unmarried  
18 children or stepchildren or any other dependents eligible under  
19 the terms of the health benefit plan selected by the employee's  
20 employer.

21 "Health benefit plan" has the same meaning as provided in  
22 the Small Employer Health Insurance Rating Act. "Health benefit  
23 plan" includes the Illinois Comprehensive Health Insurance  
24 Plan and any plan provided by a less than fully insured  
25 multiple employer welfare arrangement or by another benefit  
26 arrangement defined in the federal Employee Retirement Income

1 Security Act of 1974, as amended. Health benefit plan does not  
2 include coverage for accident only, specific disease or  
3 condition only, credit, disability income, coverage of  
4 Medicare services pursuant to contracts with the federal  
5 government, Medicare supplement insurance, student accident  
6 and health insurance, long term care insurance, hospital  
7 indemnity only, dental only, vision only, coverage issued as a  
8 supplement to liability insurance, insurance arising out of a  
9 workers' compensation or similar law, automobile medical  
10 payment insurance, insurance under which the benefits are  
11 payable with or without regard to fault and that is legally  
12 required to be contained in any liability insurance policy or  
13 equivalent self-insurance or coverage obtained or provided in  
14 another state but not available in Illinois.

15 "Income" means gross income in cash or kind available to  
16 the applicant or the applicant's family. "Income" does not  
17 include earned income of the applicant's children or income  
18 earned by a spouse if there is a legal separation.

19 "Premium" means the monthly or other periodic charge for a  
20 health benefit plan.

21 "Program" means the Illinois Health Insurance Premium  
22 Assistance Program.

23 "Rebate" means payment or reimbursement to an eligible  
24 individual toward the eligible individual's purchase or  
25 contribution of premium towards a health benefit plan for the  
26 eligible individual and the eligible individual's family and



1 may include co-payments or deductible expenses that are the  
2 responsibility of the eligible individual.

3 "Small employer" has the same meaning as provided in the  
4 Illinois Health Insurance Portability and Accountability Act.

5 "Third-party administrator" means any insurance company or  
6 other entity licensed under the Illinois Insurance Code to  
7 administer health insurance benefit programs.

8 (215 ILCS 5/1615 new)

9 Sec. 1615. Program Operation. The Illinois Health  
10 Insurance Premium Assistance Program is created. The Program  
11 shall be administered by the Department of Healthcare and  
12 Family Services. The Department shall have the same powers and  
13 authority to administer the Program as are provided to the  
14 Department in connection with the Department's administration  
15 of the Illinois Public Aid Code, the Children's Health  
16 Insurance Program Act, and the Covering ALL KIDS Health  
17 Insurance Program.

18 (215 ILCS 5/1620 new)

19 Sec. 1620. Additional duties of Department; rules.

20 (a) In carrying out its duties under this Program, the  
21 Department may:

22 (1) enter into contracts for administration of this Act  
23 that include, but are not limited to:

24 (a) distribution of rebate payments;

1 (b) eligibility determination;

2 (c) data collection;

3 (d) financial tracking and reporting; and

4 (e) such other services as the Department may deem  
5 necessary for the administration of the Program; and

6 (2) retain consultants and employ staff.

7 (b) The Department shall adopt rules reasonably necessary  
8 to carry out the purposes of this Act. If the Department  
9 decides to enter into any contract pursuant to this subsection,  
10 the Department shall engage in competitive bidding.

11 (215 ILCS 5/1625 new)

12 Sec. 1625. Application to participate in program; issuance  
13 of rebates; restrictions; health benefit plan enrollment.

14 (a) To enroll in the Program, an applicant shall submit a  
15 written application to the Department in the form and manner  
16 prescribed by the Department. If the applicant qualifies as an  
17 eligible individual, the applicant shall either be enrolled in  
18 the program or placed on a waiting list for enrollment.

19 (b) After an eligible individual has enrolled in the  
20 program, the individual shall remain eligible for enrollment  
21 for the period of time established by the Department.

22 (c) After an eligible individual has enrolled in the  
23 program, the Department shall issue rebates as provided in  
24 accordance with the restrictions in Section 25 of the  
25 Children's Health Insurance Program Act and available

1 appropriations.

2 (d) Rebates may not be issued to an eligible individual  
3 unless all eligible children, if any, in the eligible  
4 individual's family are covered under a health benefit plan,  
5 Medicaid, or the Covering ALL KIDS Health Insurance Act.

6 (e) Rebates may not be used to subsidize premiums on a  
7 health benefit plan whose premiums are wholly paid by the  
8 eligible individual's employer.

9 (f) The Department may issue rebates to an eligible  
10 individual in advance of a purchase of a health benefit plan.

11 (g) An eligible individual must enroll in a health benefit  
12 plan if such a plan is available to the eligible individual  
13 through the individual's employment.

14 (h) Notwithstanding Section 1610, if an eligible  
15 individual is enrolled in a group health benefit plan available  
16 to the eligible individual through the individual's  
17 employment, and the employer requires enrollment in both a  
18 health benefit plan and a dental plan, the individual is  
19 eligible for a rebate for both the health benefit plan and the  
20 dental plan.

21 (215 ILCS 5/1630 new)

22 Sec. 1630. Level of assistance determinations.

23 (a) The Department shall determine the level of assistance  
24 to be granted under Section 1625 based on a sliding scale that  
25 considers:

- 1           (1) family size;  
2           (2) family income;  
3           (3) the number of members of a family who will receive  
4           health benefit plan coverage subsidized through the  
5           Program; and  
6           (4) such other factors as the Department may establish.

7           (b) Notwithstanding the sliding scale established in  
8           subsection (a) of this Section, the Department may establish  
9           different assistance levels for otherwise similarly situated  
10           eligible individuals based on factors including but not limited  
11           to whether the individual is enrolled in an employer-sponsored  
12           group health benefit plan or an individual health benefit plan.

13           (215 ILCS 5/1635 new)

14           Sec. 1635. Rebates limited to funds appropriated;  
15           enrollment restrictions.

16           (a) Notwithstanding eligibility criteria and rebate  
17           amounts established in this Act, rebates shall be provided only  
18           to the extent the General Assembly specifically appropriates  
19           funds to provide such assistance.

20           (b) The Department may prohibit or limit enrollment in the  
21           Program to ensure that Program expenditures are within  
22           legislatively appropriated amounts. Prohibitions or  
23           limitations allowed under this Section may include but are not  
24           limited to:

25           (1) lowering the allowable income level necessary to

1 qualify as an eligible individual; and

2 (2) establishing a waiting list of eligible  
3 individuals who shall receive rebates only when sufficient  
4 funds are available.

5 (215 ILCS 5/1640 new)

6 Sec. 1640. Emergency rulemaking. The Department may adopt  
7 rules necessary to establish and implement this Program through  
8 the use of emergency rulemaking in accordance with Section 5-45  
9 of the Illinois Administrative Procedure Act. For the purposes  
10 of that Act, the General Assembly finds that the adoption of  
11 rules to implement this Program is deemed an emergency and  
12 necessary for the public interest, safety, and welfare. This  
13 Section is repealed on July 1, 2008.

14 (215 ILCS 5/1645 new)

15 Sec. 1645. Funding. This Act shall only take effect upon  
16 the approval of a federal waiver by the Centers for Medicare  
17 and Medicaid Services of the U.S. Department of Health and  
18 Human Services for the funding for the rebates provided under  
19 this Act.

20 (215 ILCS 5/1650 new)

21 Sec. 1650. Severability. If any provision of this Act or  
22 its application to any person or circumstance is held invalid,  
23 the invalidity of that provision or application does not affect

1 other provisions or applications of this Act that can be given  
2 effect without the invalid provision or application, and to  
3 this end the provisions of this Act are severable.

4 (215 ILCS 5/1655 new)

5 Sec. 1655. Repealer. This Act is repealed on December 31,  
6 2017.

7 Section 910. The Managed Care Reform and Patient Rights Act  
8 is amended by changing Section 90 and by adding Section 90.1 as  
9 follows:

10 (215 ILCS 134/90)

11 Sec. 90. Office of Consumer Health Insurance.

12 (a) The Director of Insurance shall establish the Office of  
13 Consumer Health Insurance within the Department of Insurance to  
14 provide assistance and information to all health care consumers  
15 within the State. Within the appropriation allocated, the  
16 Office shall provide information and assistance to all health  
17 care consumers by:

18 (1) assisting consumers in understanding health  
19 insurance marketing materials and the coverage provisions  
20 of individual plans;

21 (2) educating enrollees about their rights within  
22 individual plans;

23 (3) assisting enrollees with the process of filing

1 formal grievances and appeals;

2 (4) establishing and operating a toll-free "800"  
3 telephone number line to handle consumer inquiries;

4 (5) making related information available in languages  
5 other than English that are spoken as a primary language by  
6 a significant portion of the State's population, as  
7 determined by the Department;

8 (6) analyzing, commenting on, monitoring, and making  
9 publicly available reports on the development and  
10 implementation of federal, State, and local laws,  
11 regulations, and other governmental policies and actions  
12 that pertain to the adequacy of health care plans,  
13 facilities, and services in the State;

14 (7) filing an annual report with the Governor, the  
15 Director, and the General Assembly, which shall contain  
16 recommendations for improvement of the regulation of  
17 health insurance plans, including recommendations on  
18 improving health care consumer assistance and patterns,  
19 abuses, and progress that it has identified from its  
20 interaction with health care consumers; and

21 (8) performing all duties assigned to the Office by the  
22 Director.

23 (b) The report required under subsection (a)(7) shall be  
24 filed by January 31, 2001 and each January 31 thereafter.

25 (c) Nothing in this Section shall be interpreted to  
26 authorize access to or disclosure of individual patient or

1 health care professional or provider records.

2 (d) The Office of Consumer Health Insurance shall:

3 (1) develop and implement a health coverage public  
4 awareness and education program by:

5 (i) increasing public awareness of health coverage  
6 options available in this State;

7 (ii) educate the public on the value of health  
8 coverage; and

9 (iii) provide information on health coverage  
10 options, including explanations of deductibles and  
11 copayments and the differences between health  
12 maintenance organizations, preferred provider  
13 organizations, point of service plans, health savings  
14 accounts and compatible high deductible health benefit  
15 plans, and other forms of health insurance coverage.

16 (2) provide information, including financial ratings,  
17 about specific health coverage issuers but may not favor or  
18 endorse one particular issuer over another.

19 (3) develop and release public service announcements  
20 to educate consumers and employers about the types of  
21 policies and availability of health coverage in this State.

22 (4) develop an Internet website designed to educate the  
23 public about the types of policies and availability of  
24 health coverage in this State.

25 (5) provide other appropriate education to the public  
26 regarding the value of health coverage.



1 (Source: P.A. 91-617, eff. 1-1-00.)

2 (215 ILCS 134/90.1 new)

3 Sec. 90.1. Task force.

4 (a) The Director shall appoint a task force to annually  
5 review and make recommendations to the General Assembly and the  
6 Governor regarding legislative changes needed to meet and  
7 implement the following health care policies and objectives:

8 (1) increased measurement, transparency, and  
9 disclosure of hospital and clinician performance;

10 (2) information, tools, and incentives for patients  
11 and other consumers to enable them to make informed health  
12 care decisions;

13 (3) payment of hospitals and clinicians based on their  
14 performance;

15 (4) health information technology, including an  
16 electronic health record for all Illinois citizens;

17 (5) preventative and wellness initiatives; and

18 (6) review of current health plan design and  
19 requirements, identifying elements of the plans that need  
20 elimination, and implementation of new provisions that are  
21 consistent with guidelines and protocols established by  
22 organizations representing medical professions and  
23 organizations with affordable budget guidelines.

24 The task force must report by January 1, 2008 to the  
25 Governor and the General Assembly and by January 1 of each year

1 thereafter.

2 (b) The task force shall be composed of the following  
3 members:

4 (1) a consumer of an individual health insurance plan;

5 (2) an employer of less than 10 employees;

6 (3) an employer of 10 to 50 employees;

7 (4) an employer of more than 50 employees;

8 (5) a self-insured employer;

9 (6) a health insurance agent;

10 (7) a physician;

11 (8) an advanced practice nurse;

12 (9) a hospital;

13 (10) a medical unit of an institution of higher

14 education;

15 (11) a health care insurer;

16 (12) a representative from the Illinois Comprehensive

17 Health Insurance Plan; and

18 (13) a representative of the Department of Healthcare  
19 and Family Services responsible for programs under  
20 Medicaid and the children's health insurance program.

21 (c) The Director or his designee shall serve as Chairman of  
22 the Task Force and consult the task force regarding the content  
23 of the public service announcements, Internet website, and  
24 educational materials required in Section 90 of this Act. The  
25 Director has authority to make final decisions as to what the  
26 program's materials will contain.

1       (d) The Department may accept gifts and grants from any  
2 party, including a health benefit plan issuer or a foundation  
3 associated with a health benefit plan issuer, to assist with  
4 funding the programs established in Section 90 of this Act. The  
5 Department shall adopt rules governing acceptance of donations  
6 that are consistent with the Illinois Governmental Ethics Act.  
7 Before adopting rules under this subsection (d), the Department  
8 shall:

9           (1) submit the proposed rules to the Illinois Board of  
10 Ethics for review; and

11           (2) consider the Board's recommendations regarding the  
12 regulations.

13       Section 915. The Illinois Public Aid Code is amended by  
14 adding Section 5-26 as follows:

15           (305 ILCS 5/5-26 new)

16       Sec. 5-26. Incentive payments to providers. Subject to  
17 appropriation, the Department shall establish incentive  
18 payments to eligible providers based on a quality reporting  
19 system using quality measures consistent with criteria  
20 established by the Centers for Medicare and Medicaid Services  
21 to implement the physician quality reporting system  
22 established under the federal Tax Relief and Health Care Act of  
23 2006. Subject to appropriation, the Department shall establish  
24 incentive payments to eligible providers who make health

1 information technology investments that lead to administrative  
2 and benefit delivery cost savings to the Department in its  
3 administration and enforcement of the Act.

4 (215 ILCS 5/Art. XIXB rep.)

5 Section 930. The Illinois Insurance Code is amended by  
6 repealing Article XIXB.

7 Section 9999. Effective date. This Act takes effect upon  
8 becoming law.

1		INDEX
2		Statutes amended in order of appearance
3	New Act	
4	35 ILCS 5/203	from Ch. 120, par. 2-203
5	35 ILCS 5/218 new	
6	215 ILCS 5/Art. XLV	
7	heading new	
8	215 ILCS 5/1500 new	
9	215 ILCS 5/1505 new	
10	215 ILCS 5/1510 new	
11	215 ILCS 5/Art. XLVI	
12	heading new	
13	215 ILCS 5/1600 new	
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15	215 ILCS 5/1610 new	
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20	215 ILCS 5/1635 new	
21	215 ILCS 5/1640 new	
22	215 ILCS 5/1645 new	
23	215 ILCS 5/1650 new	
24	215 ILCS 5/1655 new	
25	215 ILCS 134/90	

- 1 215 ILCS 134/90.1 new
- 2 305 ILCS 5/5-26 new
- 3 215 ILCS 5/Art. XIXB rep.