



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

SB1852

Introduced 7/10/2007, by Sen. Frank C. Watson, David Luechtefeld, Gary G. Dahl, John O. Jones, Dale A. Righter, et al.

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

If and only if Senate Bill 1544 of the 95th General Assembly becomes law, amends the Illinois Income Tax Act. Restores provisions in the Illinois Income Tax Act concerning deductions for bond interest to the same language as those deduction provisions existed before Senate Bill 1544 of the 95th General Assembly became law. Effective immediately.

LRB095 12644 HLH 37929 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. If and only if Senate Bill 1544 of the 95th
5 General Assembly becomes law, then the Illinois Income Tax Act
6 is amended by changing Sections 203 as follows:

7 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

8 Sec. 203. Base income defined.

9 (a) Individuals.

10 (1) In general. In the case of an individual, base
11 income means an amount equal to the taxpayer's adjusted
12 gross income for the taxable year as modified by paragraph
13 (2).

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

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

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

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

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

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

1 Care Savings Account Act or subsection (b) of Section
2 20 of the Medical Care Savings Account Act of 2000;

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

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

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

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 allowed in any taxable year to make a subtraction
25 modification under subparagraph (Z), then an amount
26 equal to that subtraction modification.

1 The taxpayer is required to make the addition
2 modification under this subparagraph only once with
3 respect to any one piece of property;

4 (D-17) An amount equal to the amount otherwise
5 allowed as a deduction in computing base income for
6 interest paid, accrued, or incurred, directly or
7 indirectly, (i) for taxable years ending on or after
8 December 31, 2004, to a foreign person who would be a
9 member of the same unitary business group but for the
10 fact that foreign person's business activity outside
11 the United States is 80% or more of the foreign
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304. The addition modification
20 required by this subparagraph shall be reduced to the
21 extent that dividends were included in base income of
22 the unitary group for the same taxable year and
23 received by the taxpayer or by a member of the
24 taxpayer's unitary business group (including amounts
25 included in gross income under Sections 951 through 964
26 of the Internal Revenue Code and amounts included in

1 gross income under Section 78 of the Internal Revenue
2 Code) with respect to the stock of the same person to
3 whom the interest was paid, accrued, or incurred.

4 This paragraph shall not apply to the following:

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

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

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

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

1 (iii) the taxpayer can establish, based on
2 clear and convincing evidence, that the interest
3 paid, accrued, or incurred relates to a contract or
4 agreement entered into at arm's-length rates and
5 terms and the principal purpose for the payment is
6 not federal or Illinois tax avoidance; or

7 (iv) an item of interest paid, accrued, or
8 incurred, directly or indirectly, to 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 (D-18) An amount equal to the amount of intangible
25 expenses and costs otherwise allowed as a deduction in
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable
2 years ending on or after December 31, 2004, to a
3 foreign person who would be a member of the same
4 unitary business group but for the fact that the
5 foreign person's business activity outside the United
6 States is 80% or more of that person's total business
7 activity and (ii) for taxable years ending on or after
8 December 31, 2008, to a person who would be a member of
9 the same unitary business group but for the fact that
10 the person is prohibited under Section 1501(a)(27)
11 from being included in the unitary business group
12 because he or she is ordinarily required to apportion
13 business income under different subsections of Section
14 304. 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 under Sections 951 through 964 of the Internal
21 Revenue Code and amounts included in gross income under
22 Section 78 of the Internal Revenue Code) with respect
23 to the stock of the same person to whom the intangible
24 expenses and costs were directly or indirectly paid,
25 incurred, or accrued. The preceding sentence does not
26 apply to the extent that the same dividends caused a

1 reduction to the addition modification required under
2 Section 203(a)(2)(D-17) of this Act. As used in this
3 subparagraph, the term "intangible expenses and costs"
4 includes (1) expenses, losses, and costs for, or
5 related to, the direct or indirect acquisition, use,
6 maintenance or management, ownership, sale, exchange,
7 or any other disposition of intangible property; (2)
8 losses incurred, directly or indirectly, from
9 factoring transactions or discounting transactions;
10 (3) royalty, patent, technical, and copyright fees;
11 (4) licensing fees; and (5) other similar expenses and
12 costs. For purposes of this subparagraph, "intangible
13 property" includes patents, patent applications, trade
14 names, trademarks, service marks, copyrights, mask
15 works, trade secrets, and similar types of intangible
16 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 (D-19) For taxable years ending on or after
8 December 31, 2008, an amount equal to the amount of
9 insurance premium expenses and costs otherwise allowed
10 as a deduction in computing base income, and that were
11 paid, accrued, or incurred, directly or indirectly, to
12 a person who would be a member of the same unitary
13 business group but for the fact that the person is
14 prohibited under Section 1501(a)(27) from being
15 included in the unitary business group because he or
16 she is ordinarily required to apportion business
17 income under different subsections of Section 304. The
18 addition modification required by this subparagraph
19 shall be reduced to the extent that dividends were
20 included in base income of the unitary group for the
21 same taxable year and received by the taxpayer or by a
22 member of the taxpayer's unitary business group
23 (including amounts included in gross income under
24 Sections 951 through 964 of the Internal Revenue Code
25 and amounts included in gross income under Section 78
26 of the Internal Revenue Code) with respect to the stock

1 of the same person to whom the intangible expenses and
2 costs were directly or indirectly paid, incurred, or
3 accrued. The preceding sentence does not apply to the
4 extent that the same dividends caused a reduction to
5 the addition modification required under Section
6 203(a) (2) (D-17) of this Act.

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

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

18 (E) For taxable years ending before December 31,
19 2001, any amount included in such total in respect of
20 any compensation (including but not limited to any
21 compensation paid or accrued to a serviceman while a
22 prisoner of war or missing in action) paid to a
23 resident by reason of being on active duty in the Armed
24 Forces of the United States and in respect of any
25 compensation paid or accrued to a resident who as a
26 governmental employee was a prisoner of war or missing

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

19 (F) An amount equal to all amounts included in such
20 total pursuant to the provisions of Sections 402(a),
21 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
22 Internal Revenue Code, or included in such total as
23 distributions under the provisions of any retirement
24 or disability plan for employees of any governmental
25 agency or unit, or retirement payments to retired
26 partners, which payments are excluded in computing net

1 earnings from self employment by Section 1402 of the
2 Internal Revenue Code and regulations adopted pursuant
3 thereto;

4 (G) The valuation limitation amount;

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

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

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

23 (K) An amount equal to those dividends included in
24 such total that were paid by a corporation that
25 conducts business operations in a federally designated
26 Foreign Trade Zone or Sub-Zone and that is designated a

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

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

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

24 (N) An amount equal to all amounts included in such
25 total which are exempt from taxation by this State
26 either by reason of its statutes or Constitution or by

1 reason of the Constitution, treaties or statutes of the
2 United States; provided that, in the case of any
3 statute of this State ~~or, for taxable years ending on~~
4 ~~or after December 31, 2008, of the United States, any~~
5 ~~treaty of the United States, the Illinois~~
6 ~~Constitution, or the United States Constitution~~ that
7 exempts income derived from bonds or other obligations
8 from the tax imposed under this Act, the amount
9 exempted shall be the interest income net of bond
10 premium amortization, ~~and, for taxable years ending on~~
11 ~~or after December 31, 2008, interest expense incurred~~
12 ~~on indebtedness to carry the bond or other obligation,~~
13 ~~expenses incurred in producing the income to be~~
14 ~~deducted, and all other related expenses. The amount of~~
15 ~~expenses to be taken into account under this provision~~
16 ~~may not exceed the amount of income that is exempted;~~

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

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

25 (Q) An amount equal to any amounts included in such
26 total, received by the taxpayer as an acceleration in

1 the payment of life, endowment or annuity benefits in
2 advance of the time they would otherwise be payable as
3 an indemnity for a terminal illness;

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

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

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

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

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

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

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

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

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

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

1 gross income under Section 529(c)(3)(C)(i) of the
2 Internal Revenue Code shall not be considered moneys
3 contributed under this subparagraph (Y). This
4 subparagraph (Y) is exempt from the provisions of
5 Section 250;

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

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

19 (2) for taxable years ending on or before
20 December 31, 2005, "x" equals "y" multiplied by 30
21 and then divided by 70 (or "y" multiplied by
22 0.429); and

23 (3) for taxable years ending after December
24 31, 2005:

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied by
3 0.429); and

4 (ii) for property on which a bonus
5 depreciation deduction of 50% of the adjusted
6 basis was taken, "x" equals "y" multiplied by
7 1.0.

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

16 (AA) 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 (D-15), then
20 an amount equal to that addition modification.

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

1 equal to that addition modification.

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

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

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

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

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

1 into account for the taxable year (net of the
2 deductions allocable thereto) with respect to
3 transactions with (i) a foreign person who would be a
4 member of the taxpayer's unitary business group but for
5 the fact that the foreign person's business activity
6 outside the United States is 80% or more of that
7 person's total business activity and (ii) for taxable
8 years ending on or after December 31, 2008, to a person
9 who would be a member of the same unitary business
10 group but for the fact that the person is prohibited
11 under Section 1501(a)(27) from being included in the
12 unitary business group because he or she is ordinarily
13 required to apportion business income under different
14 subsections of Section 304, but not to exceed the
15 addition modification required to be made for the same
16 taxable year under Section 203(a)(2)(D-17) for
17 interest paid, accrued, or incurred, directly or
18 indirectly, to the same person;

19 (EE) 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 (i) 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 and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304, but not to exceed the
8 addition modification required to be made for the same
9 taxable year under Section 203(a)(2)(D-18) for
10 intangible expenses and costs paid, accrued, or
11 incurred, directly or indirectly, to the same foreign
12 person; and

13 (FF) An amount equal to the income from insurance
14 premiums taken into account for the taxable year (net
15 of the deductions allocable thereto) with respect to
16 transactions with a person who would be a member of the
17 same unitary business group but for the fact that the
18 person is prohibited under Section 1501(a)(27) from
19 being included in the unitary business group because he
20 or she is ordinarily required to apportion business
21 income under different subsections of Section 304, but
22 not to exceed the addition modification required to be
23 made for the same taxable year under Section
24 203(a)(2)(D-18) for intangible expenses and costs
25 paid, accrued, or incurred, directly or indirectly, to
26 the same person.

1 (b) Corporations.

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

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

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

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

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

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

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

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

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

1 such carryback or carryforward;

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

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

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

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

26 If the taxpayer continues to own property through

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

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

10 (E-12) 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, (i) for taxable years ending on or after
14 December 31, 2004, to a foreign person who would be a
15 member of the same unitary business group but for the
16 fact the foreign person's business activity outside
17 the United States is 80% or more of the foreign
18 person's total business activity and (ii) for taxable
19 years ending on or after December 31, 2008, to a person
20 who would be a member of the same unitary business
21 group but for the fact that the person is prohibited
22 under Section 1501(a)(27) from being included in the
23 unitary business group because he or she is ordinarily
24 required to apportion business income under different
25 subsections of Section 304. The addition modification
26 required by this subparagraph shall be reduced to the

1 extent that dividends were included in base income of
2 the unitary group for the same taxable year and
3 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) An amount equal to the amount of intangible
6 expenses and costs otherwise allowed as a deduction in
7 computing base income, and that were paid, accrued, or
8 incurred, directly or indirectly, (i) for taxable
9 years ending on or after December 31, 2004, 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 and (ii) for taxable years ending on or after
15 December 31, 2008, to a person who would be a member of
16 the same unitary business group but for the fact that
17 the person is prohibited under Section 1501(a)(27)
18 from being included in the unitary business group
19 because he or she is ordinarily required to apportion
20 business income under different subsections of Section
21 304. The addition modification required by this
22 subparagraph shall be reduced to the extent that
23 dividends were included in base income of the unitary
24 group for the same taxable year and received by the
25 taxpayer or by a member of the taxpayer's unitary
26 business group (including amounts included in gross

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

24 This paragraph shall not apply to the following:

25 (i) any item of intangible expenses or costs
26 paid, accrued, or incurred, directly or

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

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

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

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

22 (iii) any item of intangible expense or cost
23 paid, accrued, or incurred, directly or
24 indirectly, from a transaction with 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 (E-14) For taxable years ending on or after
15 December 31, 2008, an amount equal to the amount of
16 insurance premium expenses and costs otherwise allowed
17 as a deduction in computing base income, and that were
18 paid, accrued, or incurred, directly or indirectly, to
19 a person who would be a member of the same unitary
20 business group but for the fact that the person is
21 prohibited under Section 1501(a)(27) from being
22 included in the unitary business group because he or
23 she is ordinarily required to apportion business
24 income under different subsections of Section 304. The
25 addition modification required by this subparagraph
26 shall be reduced to the extent that dividends were

1 included in base income of the unitary group for the
2 same taxable year and received by the taxpayer or by a
3 member of the taxpayer's unitary business group
4 (including amounts included in gross income under
5 Sections 951 through 964 of the Internal Revenue Code
6 and amounts included in gross income under Section 78
7 of the Internal Revenue Code) with respect to the stock
8 of the same person to whom the intangible expenses and
9 costs were directly or indirectly paid, incurred, or
10 accrued. The preceding sentence does not apply to the
11 extent that the same dividends caused a reduction to
12 the addition modification required under Section
13 203(a) (2) (D-17) of this Act;

14 (E-15) For taxable years beginning after December
15 31, 2008, any deduction for dividends paid to a
16 corporation by a captive real estate trust that is
17 allowed to a real estate investment trust under Section
18 857(b) (2) (B) of the Internal Revenue Code for
19 dividends paid;

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

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

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

1 (H) In the case of a regulated investment company,
2 an amount equal to the amount of exempt interest
3 dividends as defined in subsection (b) (5) of Section
4 852 of the Internal Revenue Code, paid to shareholders
5 for the taxable year;

6 (I) With the exception of any amounts subtracted
7 under subparagraph (J), an amount equal to the sum of
8 all amounts disallowed as deductions by (i) Sections
9 171(a) (2), and 265(a)(2) and amounts disallowed as
10 interest expense by Section 291(a)(3) of the Internal
11 Revenue Code, as now or hereafter amended, and all
12 amounts of expenses allocable to interest and
13 disallowed as deductions by Section 265(a)(1) of the
14 Internal Revenue Code, as now or hereafter amended; and
15 (ii) for taxable years ending on or after August 13,
16 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and
17 832(b)(5)(B)(i) of the Internal Revenue Code; the
18 provisions of this subparagraph are exempt from the
19 provisions of Section 250;

20 (J) An amount equal to all amounts included in such
21 total which are exempt from taxation by this State
22 either by reason of its statutes or Constitution or by
23 reason of the Constitution, treaties or statutes of the
24 United States; provided that, in the case of any
25 statute of this State ~~or, for taxable years ending on~~
26 ~~or after December 31, 2008, of the United States, any~~

1 ~~treaty of the United States, the Illinois~~
2 ~~Constitution, or the United States Constitution that~~
3 exempts income derived from bonds or other obligations
4 from the tax imposed under this Act, the amount
5 exempted shall be the interest ~~income~~ net of bond
6 premium amortization, ~~and, for taxable years ending on~~
7 ~~or after December 31, 2008, interest expense incurred~~
8 ~~on indebtedness to carry the bond or other obligation,~~
9 ~~expenses incurred in producing the income to be~~
10 ~~deducted, and all other related expenses. The amount of~~
11 ~~expenses to be taken into account under this provision~~
12 ~~may not exceed the amount of income that is exempted;~~

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

23 (L) An amount equal to those dividends included in
24 such total that were paid by a corporation that
25 conducts business operations in a federally designated
26 Foreign Trade Zone or Sub-Zone and that is designated a

1 High Impact Business located in Illinois; provided
2 that dividends eligible for the deduction provided in
3 subparagraph (K) of paragraph 2 of this subsection
4 shall not be eligible for the deduction provided under
5 this subparagraph (L);

6 (M) For any taxpayer that is a financial
7 organization within the meaning of Section 304(c) of
8 this Act, an amount included in such total as interest
9 income from a loan or loans made by such taxpayer to a
10 borrower, to the extent that such a loan is secured by
11 property which is eligible for the Enterprise Zone
12 Investment Credit or the River Edge Redevelopment Zone
13 Investment Credit. To determine the portion of a loan
14 or loans that is secured by property eligible for a
15 Section 201(f) 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(f) 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 the Enterprise
22 Zone or the River Edge Redevelopment Zone. The
23 subtraction modification available to taxpayer in any
24 year under this subsection shall be that portion of the
25 total interest paid by the borrower with respect to
26 such loan attributable to the eligible property as

1 calculated under the previous sentence. This
2 subparagraph (M) is exempt from the provisions of
3 Section 250;

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

1 such loan attributable to the eligible property as
2 calculated under the previous sentence;

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

14 (O) An amount equal to: (i) 85% for taxable years
15 ending on or before December 31, 1992, or, a percentage
16 equal to the percentage allowable under Section
17 243(a)(1) of the Internal Revenue Code of 1986 for
18 taxable years ending after December 31, 1992, of the
19 amount by which dividends included in taxable income
20 and received from a corporation that is not created or
21 organized under the laws of the United States or any
22 state or political subdivision thereof, including, for
23 taxable years ending on or after December 31, 1988,
24 dividends received or deemed received or paid or deemed
25 paid under Sections 951 through 964 of the Internal
26 Revenue Code, exceed the amount of the modification

1 provided under subparagraph (G) of paragraph (2) of
2 this subsection (b) which is related to such dividends,
3 and including, for taxable years ending on or after
4 December 31, 2008, dividends received from a real
5 estate investment trust; plus (ii) 100% of the amount
6 by which dividends, included in taxable income and
7 received, including, for taxable years ending on or
8 after December 31, 1988, dividends received or deemed
9 received or paid or deemed paid under Sections 951
10 through 964 of the Internal Revenue Code and including,
11 for taxable years ending on or after December 31, 2008,
12 dividends received from a real estate investment
13 trust, from any such corporation specified in clause
14 (i) that would but for the provisions of Section 1504
15 (b) (3) of the Internal Revenue Code be treated as a
16 member of the affiliated group which includes the
17 dividend recipient, exceed the amount of the
18 modification provided under subparagraph (G) of
19 paragraph (2) of this subsection (b) which is related
20 to such dividends;

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

24 (Q) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code of 1986;

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

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

26 (T) For taxable years 2001 and thereafter, for the

1 taxable year in which the bonus depreciation deduction
2 is taken on the taxpayer's federal income tax return
3 under subsection (k) of Section 168 of the Internal
4 Revenue Code and for each applicable taxable year
5 thereafter, an amount equal to "x", where:

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

13 (2) for taxable years ending on or before
14 December 31, 2005, "x" equals "y" multiplied by 30
15 and then divided by 70 (or "y" multiplied by
16 0.429); and

17 (3) for taxable years ending after December
18 31, 2005:

19 (i) for property on which a bonus
20 depreciation deduction of 30% of the adjusted
21 basis was taken, "x" equals "y" multiplied by
22 30 and then divided by 70 (or "y" multiplied by
23 0.429); and

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

1 1.0.

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

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

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

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

25 This subparagraph (U) is exempt from the
26 provisions of Section 250;

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

17 (W) An amount equal to the interest income taken
18 into account for the taxable year (net of the
19 deductions allocable thereto) with respect to
20 transactions with (i) a foreign person who would be a
21 member of the taxpayer's unitary business group but for
22 the fact that the foreign person's business activity
23 outside the United States is 80% or more of that
24 person's total business activity and (ii) for taxable
25 years ending on or after December 31, 2008, to a person
26 who would be a member of the same unitary business

1 group but for the fact that the person is prohibited
2 under Section 1501(a)(27) from being included in the
3 unitary business group because he or she is ordinarily
4 required to apportion business income under different
5 subsections of Section 304, but not to exceed the
6 addition modification required to be made for the same
7 taxable year under Section 203(b)(2)(E-12) for
8 interest paid, accrued, or incurred, directly or
9 indirectly, to the same person;

10 (X) An amount equal to the income from intangible
11 property taken into account for the taxable year (net
12 of the deductions allocable thereto) with respect to
13 transactions with (i) a foreign person who would be a
14 member of the taxpayer's unitary business group but for
15 the fact that the foreign person's business activity
16 outside the United States is 80% or more of that
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304, but not to exceed the
25 addition modification required to be made for the same
26 taxable year under Section 203(b)(2)(E-13) for

1 intangible expenses and costs paid, accrued, or
2 incurred, directly or indirectly, to the same foreign
3 person; and

4 (FF) An amount equal to the income from insurance
5 premiums taken into account for the taxable year (net
6 of the deductions allocable thereto) with respect to
7 transactions with a person who would be a member of the
8 same unitary business group but for the fact that the
9 person is prohibited under Section 1501(a)(27) from
10 being included in the unitary business group because he
11 or she is ordinarily required to apportion business
12 income under different subsections of Section 304, but
13 not to exceed the addition modification required to be
14 made for the same taxable year under Section
15 203(a)(2)(D-18) for intangible expenses and costs
16 paid, accrued, or incurred, directly or indirectly, to
17 the same person.

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

22 (c) Trusts and estates.

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

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

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

9 (B) In the case of (i) an estate, \$600; (ii) a
10 trust which, under its governing instrument, is
11 required to distribute all of its income currently,
12 \$300; and (iii) any other trust, \$100, but in each such
13 case, only to the extent such amount was deducted in
14 the computation of taxable income;

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

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

22 (E) For taxable years in which a net operating loss
23 carryback or carryforward from a taxable year ending
24 prior to December 31, 1986 is an element of taxable
25 income under paragraph (1) of subsection (e) or
26 subparagraph (E) of paragraph (2) of subsection (e),

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

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

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

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

26 (F) For taxable years ending on or after January 1,

1 1989, an amount equal to the tax deducted pursuant to
2 Section 164 of the Internal Revenue Code if the trust
3 or estate is claiming the same tax for purposes of the
4 Illinois foreign tax credit under Section 601 of this
5 Act;

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

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

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

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

1 If the taxpayer continues to own property through
2 the last day of the last tax year for which the
3 taxpayer may claim a depreciation deduction for
4 federal income tax purposes and for which the taxpayer
5 was allowed in any taxable year to make a subtraction
6 modification under subparagraph (R), then an amount
7 equal to that subtraction modification.

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

11 (G-12) An amount equal to the amount otherwise
12 allowed as a deduction in computing base income for
13 interest paid, accrued, or incurred, directly or
14 indirectly, (i) for taxable years ending on or after
15 December 31, 2004, to a foreign person who would be a
16 member of the same unitary business group but for the
17 fact that the foreign person's business activity
18 outside the United States is 80% or more of the foreign
19 person's total business activity and (ii) for taxable
20 years ending on or after December 31, 2008, to a person
21 who would be a member of the same unitary business
22 group but for the fact that the person is prohibited
23 under Section 1501(a)(27) from being included in the
24 unitary business group because he or she is ordinarily
25 required to apportion business income under different
26 subsections of Section 304. The addition modification

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

12 This paragraph shall not apply to the following:

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

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

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

1 member, and

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

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

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

23 Nothing in this subsection shall preclude the
24 Director from making any other adjustment
25 otherwise allowed under Section 404 of this Act for
26 any tax year beginning after the effective date of

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

6 (G-13) An amount equal to the amount of intangible
7 expenses and costs otherwise allowed as a deduction in
8 computing base income, and that were paid, accrued, or
9 incurred, directly or indirectly, (i) for taxable
10 years ending on or after December 31, 2004, to a
11 foreign person who would be a member of the same
12 unitary business group but for the fact that the
13 foreign person's business activity outside the United
14 States is 80% or more of that person's total business
15 activity and (ii) for taxable years ending on or after
16 December 31, 2008, to a person who would be a member of
17 the same unitary business group but for the fact that
18 the person is prohibited under Section 1501(a)(27)
19 from being included in the unitary business group
20 because he or she is ordinarily required to apportion
21 business income under different subsections of Section
22 304. The addition modification required by this
23 subparagraph shall be reduced to the extent that
24 dividends were included in base income of the unitary
25 group for the same taxable year and received by the
26 taxpayer or by a member of the taxpayer's unitary

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

25 This paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

23 (iii) any item of intangible expense or cost
24 paid, accrued, or incurred, directly or
25 indirectly, from a transaction with a foreign
26 person if the taxpayer establishes by clear and

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

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

15 (G-14) For taxable years ending on or after
16 December 31, 2008, an amount equal to the amount of
17 insurance premium expenses and costs otherwise allowed
18 as a deduction in computing base income, and that were
19 paid, accrued, or incurred, directly or indirectly, to
20 a person who would be a member of the same unitary
21 business group but for the fact that the person is
22 prohibited under Section 1501(a)(27) from being
23 included in the unitary business group because he or
24 she is ordinarily required to apportion business
25 income under different subsections of Section 304. The
26 addition modification required by this subparagraph

1 shall be reduced to the extent that dividends were
2 included in base income of the unitary group for the
3 same taxable year and received by the taxpayer or by a
4 member of the taxpayer's unitary business group
5 (including amounts included in gross income under
6 Sections 951 through 964 of the Internal Revenue Code
7 and amounts included in gross income under Section 78
8 of the Internal Revenue Code) with respect to the stock
9 of the same person to whom the intangible expenses and
10 costs were directly or indirectly paid, incurred, or
11 accrued. The preceding sentence does not apply to the
12 extent that the same dividends caused a reduction to
13 the addition modification required under Section
14 203(a) (2) (D-17) of this Act.

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

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

1 thereto;

2 (I) The valuation limitation amount;

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

6 (K) An amount equal to all amounts included in
7 taxable income as modified by subparagraphs (A), (B),
8 (C), (D), (E), (F) and (G) which are exempt from
9 taxation by this State either by reason of its statutes
10 or Constitution or by reason of the Constitution,
11 treaties or statutes of the United States; provided
12 that, in the case of any statute of this State ~~or, for~~
13 ~~taxable years ending on or after December 31, 2008, of~~
14 ~~the United States, any treaty of the United States, the~~
15 ~~Illinois Constitution, or the United States~~
16 ~~Constitution~~ that exempts income derived from bonds or
17 other obligations from the tax imposed under this Act,
18 the amount exempted shall be the interest income net of
19 bond premium amortization, ~~and, for taxable years~~
20 ~~ending on or after December 31, 2008, interest expense~~
21 ~~incurred on indebtedness to carry the bond or other~~
22 ~~obligation, expenses incurred in producing the income~~
23 ~~to be deducted, and all other related expenses. The~~
24 ~~amount of expenses to be taken into account under this~~
25 ~~provision may not exceed the amount of income that is~~
26 ~~exempted;~~

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

14 (M) 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 or
18 a River Edge Redevelopment Zone or zones created under
19 the River Edge Redevelopment Zone Act and conducts
20 substantially all of its operations in an Enterprise
21 Zone or Zones or a River Edge Redevelopment Zone or
22 zones. This subparagraph (M) is exempt from the
23 provisions of Section 250;

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

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

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

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

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

22 (R) For taxable years 2001 and thereafter, for the
23 taxable year in which the bonus depreciation deduction
24 is taken on the taxpayer's federal income tax return
25 under subsection (k) of Section 168 of the Internal
26 Revenue Code and for each applicable taxable year

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

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

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

13 (3) for taxable years ending after December
14 31, 2005:

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

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

24 The aggregate amount deducted under this
25 subparagraph in all taxable years for any one piece of
26 property may not exceed the amount of the bonus

1 depreciation deduction taken on that property on the
2 taxpayer's federal income tax return under subsection
3 (k) of Section 168 of the Internal Revenue Code. This
4 subparagraph (R) is exempt from the provisions of
5 Section 250;

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

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

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

21 This subparagraph (S) is exempt from the
22 provisions of Section 250;

23 (T) The amount of (i) any interest income (net of
24 the deductions allocable thereto) taken into account
25 for the taxable year with respect to a transaction with
26 a taxpayer that is required to make an addition

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

13 (U) An amount equal to the interest income taken
14 into account for the taxable year (net of the
15 deductions allocable thereto) with respect to
16 transactions with (i) a foreign person who would be a
17 member of the taxpayer's unitary business group but for
18 the fact the foreign person's business activity
19 outside the United States is 80% or more of that
20 person's total business activity and (ii) for taxable
21 years ending on or after December 31, 2008, to a person
22 who would be a member of the same unitary business
23 group but for the fact that the person is prohibited
24 under Section 1501(a)(27) from being included in the
25 unitary business group because he or she is ordinarily
26 required to apportion business income under different

1 subsections of Section 304, but not to exceed the
2 addition modification required to be made for the same
3 taxable year under Section 203(c)(2)(G-12) for
4 interest paid, accrued, or incurred, directly or
5 indirectly, to the same person;

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

19 (FF) An amount equal to the income from insurance
20 premiums taken into account for the taxable year (net
21 of the deductions allocable thereto) with respect to
22 transactions with a person who would be a member of the
23 same unitary business group but for the fact that the
24 person is prohibited under Section 1501(a)(27) from
25 being included in the unitary business group because he
26 or she is ordinarily required to apportion business

1 income under different subsections of Section 304, but
2 not to exceed the addition modification required to be
3 made for the same taxable year under Section
4 203(a)(2)(D-18) for intangible expenses and costs
5 paid, accrued, or incurred, directly or indirectly, to
6 the same person.

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

14 (d) Partnerships.

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

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

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

25 (B) An amount equal to the amount of tax imposed by

1 this Act to the extent deducted from gross income for
2 the taxable year;

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

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

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

15 (D-6) 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-5), then
19 an amount equal to the aggregate amount of the
20 deductions taken in all taxable years under
21 subparagraph (D) with respect to that property.

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which the
24 taxpayer may claim a depreciation deduction for
25 federal income tax purposes and for which the taxpayer
26 was allowed in any taxable year to make a subtraction

1 modification under subparagraph (O), then an amount
2 equal to that subtraction modification.

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

6 (D-7) An amount equal to the amount otherwise
7 allowed as a deduction in computing base income for
8 interest paid, accrued, or incurred, directly or
9 indirectly, (i) for taxable years ending on or after
10 December 31, 2004, to a foreign person who would be a
11 member of the same unitary business group but for the
12 fact the foreign person's business activity outside
13 the United States is 80% or more of the foreign
14 person's total business activity and (ii) for taxable
15 years ending on or after December 31, 2008, to a person
16 who would be a member of the same unitary business
17 group but for the fact that the person is prohibited
18 under Section 1501(a)(27) from being included in the
19 unitary business group because he or she is ordinarily
20 required to apportion business income under different
21 subsections of Section 304. The addition modification
22 required by this subparagraph shall be reduced to the
23 extent that dividends were included in base income of
24 the unitary group for the same taxable year and
25 received by the taxpayer or by a member of the
26 taxpayer's unitary business group (including amounts

1 included in gross income pursuant to Sections 951
2 through 964 of the Internal Revenue Code and amounts
3 included in gross income under Section 78 of the
4 Internal Revenue Code) with respect to the stock of the
5 same person to whom the interest was paid, accrued, or
6 incurred.

7 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the
24 interest expense between the taxpayer and the
25 foreign person did not have as a principal
26 purpose the avoidance of Illinois income tax,

1 and is paid pursuant to a contract or agreement
2 that reflects an arm's-length interest rate
3 and terms; or

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

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

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

1 (D-8) An amount equal to the amount of intangible
2 expenses and costs otherwise allowed as a deduction in
3 computing base income, and that were paid, accrued, or
4 incurred, directly or indirectly, (i) for taxable
5 years ending on or after December 31, 2004, to a
6 foreign person who would be a member of the same
7 unitary business group but for the fact that the
8 foreign person's business activity outside the United
9 States is 80% or more of that person's total business
10 activity and (ii) for taxable years ending on or after
11 December 31, 2008, to a person who would be a member of
12 the same unitary business group but for the fact that
13 the person is prohibited under Section 1501(a)(27)
14 from being included in the unitary business group
15 because he or she is ordinarily required to apportion
16 business income under different subsections of Section
17 304. The addition modification required by this
18 subparagraph shall be reduced to the extent that
19 dividends were included in base income of the unitary
20 group for the same taxable year and received by the
21 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 intangible expenses and costs were directly or
2 indirectly paid, incurred or accrued. The preceding
3 sentence shall not apply to the extent that the same
4 dividends caused a reduction to the addition
5 modification required under Section 203(d)(2)(D-7) of
6 this Act. As used in this subparagraph, the term
7 "intangible expenses and costs" includes (1) expenses,
8 losses, and costs for, or related to, the direct or
9 indirect acquisition, use, maintenance or management,
10 ownership, sale, exchange, or any other disposition of
11 intangible property; (2) losses incurred, directly or
12 indirectly, from factoring transactions or discounting
13 transactions; (3) royalty, patent, technical, and
14 copyright fees; (4) licensing fees; and (5) other
15 similar expenses and costs. For purposes of this
16 subparagraph, "intangible property" includes patents,
17 patent applications, trade names, trademarks, service
18 marks, copyrights, mask works, trade secrets, and
19 similar types of intangible assets;

20 This paragraph shall not apply to the following:

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

1 income with respect to such item; or

2 (ii) any item of intangible expense or cost
3 paid, accrued, or incurred, directly or
4 indirectly, if the taxpayer can establish, based
5 on a preponderance of the evidence, both of the
6 following:

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

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

18 (iii) any item of intangible expense or cost
19 paid, accrued, or incurred, directly or
20 indirectly, from a transaction with a foreign
21 person if the taxpayer establishes by clear and
22 convincing evidence, that the adjustments are
23 unreasonable; or if the taxpayer and the Director
24 agree in writing to the application or use of an
25 alternative method of apportionment under Section
26 304(f);

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

10 (D-9) For taxable years ending on or after December
11 31, 2008, an amount equal to the amount of insurance
12 premium expenses and costs otherwise allowed as a
13 deduction in computing base income, and that were paid,
14 accrued, or incurred, directly or indirectly, to a
15 person who would be a member of the same unitary
16 business group but for the fact that the person is
17 prohibited under Section 1501(a)(27) from being
18 included in the unitary business group because he or
19 she is ordinarily required to apportion business
20 income under different subsections of Section 304. The
21 addition modification required by this subparagraph
22 shall be reduced to the extent that dividends were
23 included in base income of the unitary group for the
24 same taxable year and received by the taxpayer or by a
25 member of the taxpayer's unitary business group
26 (including amounts included in gross income under

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the stock
4 of the same person to whom the intangible expenses and
5 costs were directly or indirectly paid, incurred, or
6 accrued. The preceding sentence does not apply to the
7 extent that the same dividends caused a reduction to
8 the addition modification required under Section
9 203(a) (2) (D-17) of this Act.

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

12 (E) The valuation limitation amount;

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

16 (G) An amount equal to all amounts included in
17 taxable income as modified by subparagraphs (A), (B),
18 (C) and (D) which are exempt from taxation by this
19 State either by reason of its statutes or Constitution
20 or by reason of the Constitution, treaties or statutes
21 of the United States; provided that, in the case of any
22 statute of this State ~~or, for taxable years ending on~~
23 ~~or after December 31, 2008, of the United States, any~~
24 ~~treaty of the United States, the Illinois~~
25 ~~Constitution, or the United States Constitution~~ that
26 exempts income derived from bonds or other obligations

1 from the tax imposed under this Act, the amount
2 exempted shall be the interest income net of bond
3 premium amortization, ~~and, for taxable years ending on~~
4 ~~or after December 31, 2008, interest expense incurred~~
5 ~~on indebtedness to carry the bond or other obligation,~~
6 ~~expenses incurred in producing the income to be~~
7 ~~deducted, and all other related expenses. The amount of~~
8 ~~expenses to be taken into account under this provision~~
9 ~~may not exceed the amount of income that is exempted;~~

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

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

23 (J) With the exception of any amounts subtracted
24 under subparagraph (G), an amount equal to the sum of
25 all amounts disallowed as deductions by (i) Sections
26 171(a) (2), and 265(2) of the Internal Revenue Code of

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

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

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

24 (M) An amount equal to those dividends included in
25 such total that were paid by a corporation that
26 conducts business operations in a federally designated

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

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

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

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

25 (2) for taxable years ending on or before
26 December 31, 2005, "x" equals "y" multiplied by 30

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

3 (3) for taxable years ending after December
4 31, 2005:

5 (i) for property on which a bonus
6 depreciation deduction of 30% of the adjusted
7 basis was taken, "x" equals "y" multiplied by
8 30 and then divided by 70 (or "y" multiplied by
9 0.429); and

10 (ii) for property on which a bonus
11 depreciation deduction of 50% of the adjusted
12 basis was taken, "x" equals "y" multiplied by
13 1.0.

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

22 (P) If the taxpayer sells, transfers, abandons, or
23 otherwise disposes of property for which the taxpayer
24 was required in any taxable year to make an addition
25 modification under subparagraph (D-5), then an amount
26 equal to that addition modification.

1 If the taxpayer continues to own property through
2 the last day of the last tax year for which the
3 taxpayer may claim a depreciation deduction for
4 federal income tax purposes and for which the taxpayer
5 was required in any taxable year to make an addition
6 modification under subparagraph (D-5), then an amount
7 equal to that addition modification.

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

11 This subparagraph (P) is exempt from the
12 provisions of Section 250;

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

1 203(d) (2) (D-8), but not to exceed the amount of such
2 addition modification;

3 (R) An amount equal to the interest income taken
4 into account for the taxable year (net of the
5 deductions allocable thereto) with respect to
6 transactions with (i) a foreign person who would be a
7 member of the taxpayer's unitary business group but for
8 the fact that the foreign person's business activity
9 outside the United States is 80% or more of that
10 person's total business activity and (ii) for taxable
11 years ending on or after December 31, 2008, to a person
12 who would be a member of the same unitary business
13 group but for the fact that the person is prohibited
14 under Section 1501(a) (27) from being included in the
15 unitary business group because he or she is ordinarily
16 required to apportion business income under different
17 subsections of Section 304, but not to exceed the
18 addition modification required to be made for the same
19 taxable year under Section 203(d) (2) (D-7) for interest
20 paid, accrued, or incurred, directly or indirectly, to
21 the same person;

22 (S) An amount equal to the income from intangible
23 property taken into account for the taxable year (net
24 of the deductions allocable thereto) with respect to
25 transactions with (i) a foreign person who would be a
26 member of the taxpayer's unitary business group but for

1 the fact that the foreign person's business activity
2 outside the United States is 80% or more of that
3 person's total business activity and (ii) for taxable
4 years ending on or after December 31, 2008, to a person
5 who would be a member of the same unitary business
6 group but for the fact that the person is prohibited
7 under Section 1501(a)(27) from being included in the
8 unitary business group because he or she is ordinarily
9 required to apportion business income under different
10 subsections of Section 304, but not to exceed the
11 addition modification required to be made for the same
12 taxable year under Section 203(d)(2)(D-8) for
13 intangible expenses and costs paid, accrued, or
14 incurred, directly or indirectly, to the same foreign
15 person; and

16 (FF) An amount equal to the income from insurance
17 premiums taken into account for the taxable year (net
18 of the deductions allocable thereto) with respect to
19 transactions with a person who would be a member of the
20 same unitary business group but for the fact that the
21 person is prohibited under Section 1501(a)(27) from
22 being included in the unitary business group because he
23 or she is ordinarily required to apportion business
24 income under different subsections of Section 304, but
25 not to exceed the addition modification required to be
26 made for the same taxable year under Section

1 203(a)(2)(D-18) for intangible expenses and costs
2 paid, accrued, or incurred, directly or indirectly, to
3 the same person.

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

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

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

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

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

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

26 (C) Regulated investment companies. In the case of

1 a regulated investment company subject to the tax
2 imposed by Section 852 of the Internal Revenue Code,
3 investment company taxable income;

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

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

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

25 (G) Subchapter S corporations. In the case of: (i)
26 a Subchapter S corporation for which there is in effect

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

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

22 (3) Recapture of business expenses on disposition of
23 asset or business. Notwithstanding any other law to the
24 contrary, if in prior years income from an asset or
25 business has been classified as business income and in a
26 later year is demonstrated to be non-business income, then

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

13 (f) Valuation limitation amount.

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

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

22 (B) The lesser of (i) the sum of the pre-August 1,
23 1969 appreciation amounts (to the extent consisting of
24 capital gain) for all property in respect of which such
25 gain was reported for federal income tax purposes for
26 the taxable year, or (ii) the net capital gain for the

1 taxable year, reduced in either case by any amount of
2 such gain included in the amount determined under
3 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

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

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

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

16 (Source: P.A. 93-812, eff. 7-26-04; 93-840, eff. 7-30-04;
17 94-776, eff. 5-19-06; 94-789, eff. 5-19-06; 94-1021, eff.
18 7-12-06; 94-1074, eff. 12-26-06; 095SB1544 enr.)

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.