

1 AN ACT concerning aging.

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

4 Section 1. Short title. This Act may be cited as the  
5 Homecare Option Program for the Elderly Act.

6 Section 5. Definitions. In this Act:

7 "Depositor" means any person making a payment,  
8 contribution, gift, endowment, or other deposit to the trust  
9 pursuant to a participation agreement.

10 "Designated beneficiary" means any individual who enters  
11 into a participation agreement or is subsequently designated as  
12 a spouse of the designated beneficiary.

13 "Eligible home care provider" means (i) a provider licensed  
14 in Illinois to perform home services, (ii) licensed  
15 transportation services, or (iii) a personal care assistant.

16 "Instrumental activities of daily living" means activities  
17 related to independent living necessary to maintain an  
18 individual in his or her home or other noninstitutional  
19 setting, and includes, but is not limited to, adult day care,  
20 personal assistant services, companion services, meal  
21 preparation or home-delivered meals, transportation services,  
22 and home care aide services.

23 "Participation agreement" means the agreement between the

1 trust and depositors for participation in a savings plan for a  
2 designated beneficiary.

3 "Qualified home care expenses" means the cost of services  
4 performed by an eligible home care provider for the  
5 instrumental activities of daily living, and the cost of any  
6 other service recommended by a physician and provided by an  
7 eligible home care provider.

8 "Trust" means the Homecare Trust Fund.

9 Section 10. Program established.

10 (a) The Homecare Option Program for the Elderly is  
11 established for the purpose of allowing individuals to plan for  
12 the cost of services that will allow them to remain in their  
13 homes or in a noninstitutional setting as they age. An  
14 individual may create an individual savings account for this  
15 purpose, in accordance with terms prescribed by the State  
16 Treasurer.

17 (b) The State Treasurer shall establish the Homecare Trust  
18 Fund, which shall be comprised of individual savings accounts  
19 for those qualified home care expenses not covered by a  
20 long-term care insurance policy and for those qualified home  
21 care expenses that supplement the coverage provided by a  
22 long-term care policy or Medicare. Withdrawals from the fund  
23 may be used for qualified home care expenses, upon receipt by  
24 the fund of a physician's certification that the designated  
25 beneficiary is in need of services for the instrumental

1 activities of daily living. Upon the death of a designated  
2 beneficiary, any available funds in the beneficiary's account  
3 shall be an asset of the estate of the beneficiary.

4 Section 15. Treasurer's powers with respect to trust. The  
5 State Treasurer, on behalf of the trust and for purposes of the  
6 trust, may do the following:

7 (1) Receive and invest moneys in the trust in any  
8 instruments, obligations, securities, or property in  
9 accordance with Section 20.

10 (2) Procure insurance in connection with the trust's  
11 property, assets, activities, or deposits or contributions  
12 to the trust.

13 (3) Establish one or more funds within the trust and  
14 maintain separate accounts for each designated  
15 beneficiary.

16 (4) Enter into one or more contractual agreements,  
17 including contracts for legal, actuarial, accounting,  
18 custodial, advisory, management, administrative,  
19 advertising, marketing, and consulting services, for the  
20 trust and pay for those services from the gains and  
21 earnings of the trust.

22 (5) Apply for, accept, and expend gifts, grants, or  
23 donations from public or private sources to enable the  
24 trust to carry out its objectives.

25 (6) Adopt rules to implement this Act.

1           (7) Sue and be sued.

2           (8) Take any other action necessary to carry out the  
3           purposes of this Act and incidental to the duties imposed  
4           on the Treasurer pursuant to this Act.

5           Section 20. Investment of trust amounts. The State  
6           Treasurer shall invest the amounts on deposit in the trust in a  
7           manner reasonable and appropriate to achieve the objectives of  
8           the trust, exercising the discretion and care of a prudent  
9           person in similar circumstances with similar objectives. The  
10          Treasurer shall give due consideration to rate of return, risk,  
11          term or maturity, diversification of the total portfolio within  
12          the trust, liquidity, the projected disbursements and  
13          expenditures, and the expected payments, deposits,  
14          contributions, and gifts to be received. The Treasurer shall  
15          not require the trust to invest directly in obligations of the  
16          State or any political subdivision of the State or in any  
17          investment or other fund administered by the Treasurer. The  
18          assets of the trust shall be continuously invested and  
19          reinvested in a manner consistent with the objectives of the  
20          trust until disbursed for qualified home care expenses,  
21          expended on expenses incurred by the operations of the trust,  
22          or refunded to the depositor or designated beneficiary on the  
23          conditions provided in the participation agreement.

24          Section 25. Participation agreement terms. The State

1 Treasurer, on behalf of the trust and for purposes of the  
2 trust, may establish consistent terms for each participation  
3 agreement, bulk deposit, coupon or installment payments,  
4 including, but not limited to, the following:

5 (1) The method of payment into the trust by payroll  
6 deduction, transfer from bank accounts, or otherwise.

7 (2) The termination, withdrawal, or transfer of  
8 payments under the trust, including transfers to an  
9 eligible home care provider.

10 (3) Penalties for distributions not used or made in  
11 accordance with this Act.

12 (4) Changing the identity of the designated  
13 beneficiary.

14 (5) Any charges or fees in connection with the  
15 administration of the trust.

16 Section 30. Illinois Securities Law of 1953; federal  
17 securities laws. Participation in the trust and the offering  
18 and solicitation of the trust are exempt from provisions of the  
19 Illinois Securities Law of 1953 as provided in that Law. The  
20 State Treasurer shall obtain written advice of counsel or  
21 written advice from the Securities Exchange Commission, or  
22 both, that the trust and the offering of participation in the  
23 trust are not subject to federal securities laws.

24 Section 35. State's pledge. The State pledges to

1     depositors, designated beneficiaries, and any party who enters  
2     into contracts with the trust, pursuant to the provisions of  
3     this Act, that the State will not limit or alter the rights  
4     under this Act vested in the trust or contract with the trust  
5     until such obligations are fully met and discharged and such  
6     contracts are fully performed on the part of the trust. Nothing  
7     in this Section shall preclude such limitation or alteration if  
8     adequate provision is made by law for the protection of such  
9     depositors and designated beneficiaries pursuant to the  
10    obligations of the trust or parties who entered into such  
11    contracts with the trust. The trust, on behalf of the State,  
12    may include this pledge and undertaking for the State in  
13    participation agreements and such other obligations or  
14    contracts.

15           Section 92. The Illinois Income Tax Act is amended by  
16    changing Section 203 as follows:

17           (35 ILCS 5/203) (from Ch. 120, par. 2-203)

18           Sec. 203. Base income defined.

19           (a) Individuals.

20           (1) In general. In the case of an individual, base  
21    income means an amount equal to the taxpayer's adjusted  
22    gross income for the taxable year as modified by paragraph  
23    (2).

24           (2) Modifications. The adjusted gross income referred

1 to in paragraph (1) shall be modified by adding thereto the  
2 sum of the following amounts:

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

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

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

26 (D) An amount equal to the amount of the capital

1 gain deduction allowable under the Internal Revenue  
2 Code, to the extent deducted from gross income in the  
3 computation of adjusted gross income;

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

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

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

22 (D-16) If the taxpayer sells, transfers, abandons,  
23 or otherwise disposes of property for which the  
24 taxpayer was required in any taxable year to make an  
25 addition modification under subparagraph (D-15), then  
26 an amount equal to the aggregate amount of the



1           deductions taken in all taxable years under  
2           subparagraph (Z) with respect to that property.

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

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

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

1 required to apportion business income under different  
2 subsections of Section 304. The addition modification  
3 required by this subparagraph shall be reduced to the  
4 extent that dividends were included in base income of  
5 the unitary group for the same taxable year and  
6 received by the taxpayer or by a member of the  
7 taxpayer's unitary business group (including amounts  
8 included in gross income under Sections 951 through 964  
9 of the Internal Revenue Code and amounts included in  
10 gross income under Section 78 of the Internal Revenue  
11 Code) with respect to the stock of the same person to  
12 whom the interest was paid, accrued, or incurred.

13 This paragraph shall not apply to the following:

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

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

25 (a) the person, during the same taxable  
26 year, paid, accrued, or incurred, the interest

1 to a person that is not a related member, and

2 (b) the transaction giving rise to the  
3 interest expense between the taxpayer and the  
4 person did not have as a principal purpose the  
5 avoidance of Illinois income tax, and is paid  
6 pursuant to a contract or agreement that  
7 reflects an arm's-length interest rate and  
8 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 person if  
17 the taxpayer establishes by clear and convincing  
18 evidence that the adjustments are unreasonable; or  
19 if the taxpayer and the Director agree in writing  
20 to the application or use of an alternative method  
21 of apportionment under Section 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           (D-18) 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 under Sections 951 through 964 of the Internal  
2 Revenue Code and amounts included in gross income under  
3 Section 78 of the Internal Revenue Code) with respect  
4 to the stock of the same person to whom the intangible  
5 expenses and costs were directly or indirectly paid,  
6 incurred, or accrued. The preceding sentence does not  
7 apply to the extent that the same dividends caused a  
8 reduction to the addition modification required under  
9 Section 203(a)(2)(D-17) of this Act. As used in this  
10 subparagraph, the term "intangible expenses and costs"  
11 includes (1) expenses, losses, and costs for, or  
12 related to, the direct or indirect acquisition, use,  
13 maintenance or management, ownership, sale, exchange,  
14 or any other disposition of intangible property; (2)  
15 losses incurred, directly or indirectly, from  
16 factoring transactions or discounting transactions;  
17 (3) royalty, patent, technical, and copyright fees;  
18 (4) licensing fees; and (5) other similar expenses and  
19 costs. For purposes of this subparagraph, "intangible  
20 property" includes patents, patent applications, trade  
21 names, trademarks, service marks, copyrights, mask  
22 works, trade secrets, and similar types of intangible  
23 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 person who is  
2 subject in a foreign country or state, other than a  
3 state which requires mandatory unitary reporting,  
4 to a tax on or measured by net income with respect  
5 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 person during the same taxable  
12 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 person did not have as a  
18 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 person if the  
25 taxpayer establishes by clear and convincing  
26 evidence, that the adjustments are unreasonable;

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

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

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

1 same taxable year and received by the taxpayer or by a  
2 member of the taxpayer's unitary business group  
3 (including amounts included in gross income under  
4 Sections 951 through 964 of the Internal Revenue Code  
5 and amounts included in gross income under Section 78  
6 of the Internal Revenue Code) with respect to the stock  
7 of the same person to whom the premiums and costs were  
8 directly or indirectly paid, incurred, or accrued. The  
9 preceding sentence does not apply to the extent that  
10 the same dividends caused a reduction to the addition  
11 modification required under Section 203(a)(2)(D-17) or  
12 Section 203(a)(2)(D-18) of this Act.

13 (D-20) For taxable years beginning on or after  
14 January 1, 2002 and ending on or before December 31,  
15 2006, in the case of a distribution from a qualified  
16 tuition program under Section 529 of the Internal  
17 Revenue Code, other than (i) a distribution from a  
18 College Savings Pool created under Section 16.5 of the  
19 State Treasurer Act or (ii) a distribution from the  
20 Illinois Prepaid Tuition Trust Fund, an amount equal to  
21 the amount excluded from gross income under Section  
22 529(c)(3)(B). For taxable years beginning on or after  
23 January 1, 2007, in the case of a distribution from a  
24 qualified tuition program under Section 529 of the  
25 Internal Revenue Code, other than (i) a distribution  
26 from a College Savings Pool created under Section 16.5



1 of the State Treasurer Act, (ii) a distribution from  
2 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
3 distribution from a qualified tuition program under  
4 Section 529 of the Internal Revenue Code that (I)  
5 adopts and determines that its offering materials  
6 comply with the College Savings Plans Network's  
7 disclosure principles and (II) has made reasonable  
8 efforts to inform in-state residents of the existence  
9 of in-state qualified tuition programs by informing  
10 Illinois residents directly and, where applicable, to  
11 inform financial intermediaries distributing the  
12 program to inform in-state residents of the existence  
13 of in-state qualified tuition programs at least  
14 annually, an amount equal to the amount excluded from  
15 gross income under Section 529(c)(3)(B).

16 For the purposes of this subparagraph (D-20), a  
17 qualified tuition program has made reasonable efforts  
18 if it makes disclosures (which may use the term  
19 "in-state program" or "in-state plan" and need not  
20 specifically refer to Illinois or its qualified  
21 programs by name) (i) directly to prospective  
22 participants in its offering materials or makes a  
23 public disclosure, such as a website posting; and (ii)  
24 where applicable, to intermediaries selling the  
25 out-of-state program in the same manner that the  
26 out-of-state program distributes its offering

1 materials;

2 (D-21) For taxable years beginning on or after  
3 January 1, 2007, in the case of transfer of moneys from  
4 a qualified tuition program under Section 529 of the  
5 Internal Revenue Code that is administered by the State  
6 to an out-of-state program, an amount equal to the  
7 amount of moneys previously deducted from base income  
8 under subsection (a) (2) (Y) of this Section.

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

11 (E) For taxable years ending before December 31,  
12 2001, any amount included in such total in respect of  
13 any compensation (including but not limited to any  
14 compensation paid or accrued to a serviceman while a  
15 prisoner of war or missing in action) paid to a  
16 resident by reason of being on active duty in the Armed  
17 Forces of the United States and in respect of any  
18 compensation paid or accrued to a resident who as a  
19 governmental employee was a prisoner of war or missing  
20 in action, and in respect of any compensation paid to a  
21 resident in 1971 or thereafter for annual training  
22 performed pursuant to Sections 502 and 503, Title 32,  
23 United States Code as a member of the Illinois National  
24 Guard or, beginning with taxable years ending on or  
25 after December 31, 2007, the National Guard of any  
26 other state. For taxable years ending on or after

1 December 31, 2001, any amount included in such total in  
2 respect of any compensation (including but not limited  
3 to any compensation paid or accrued to a serviceman  
4 while a prisoner of war or missing in action) paid to a  
5 resident by reason of being a member of any component  
6 of the Armed Forces of the United States and in respect  
7 of any compensation paid or accrued to a resident who  
8 as a governmental employee was a prisoner of war or  
9 missing in action, and in respect of any compensation  
10 paid to a resident in 2001 or thereafter by reason of  
11 being a member of the Illinois National Guard or,  
12 beginning with taxable years ending on or after  
13 December 31, 2007, the National Guard of any other  
14 state. The provisions of this amendatory Act of the  
15 92nd General Assembly are exempt from the provisions of  
16 Section 250;

17 (F) 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 (G) The valuation limitation amount;

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

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

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

21 (K) An amount equal to those dividends included in  
22 such total that were paid by a corporation that  
23 conducts business operations in a federally designated  
24 Foreign Trade Zone or Sub-Zone and that is designated a  
25 High Impact Business located in Illinois; provided  
26 that dividends eligible for the deduction provided in

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

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

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

22          (N) An amount equal to all amounts included in such  
23          total which are exempt from taxation by this State  
24          either by reason of its statutes or Constitution or by  
25          reason of the Constitution, treaties or statutes of the  
26          United States; provided that, in the case of any

1 statute of this State that exempts income derived from  
2 bonds or other obligations from the tax imposed under  
3 this Act, the amount exempted shall be the interest net  
4 of bond premium amortization;

5 (O) An amount equal to any contribution made to a  
6 job training project established pursuant to the Tax  
7 Increment Allocation Redevelopment Act;

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

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

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

20 (S) An amount, to the extent included in adjusted  
21 gross income, equal to the amount of a contribution  
22 made in the taxable year on behalf of the taxpayer to a  
23 medical care savings account established under the  
24 Medical Care Savings Account Act or the Medical Care  
25 Savings Account Act of 2000 to the extent the  
26 contribution is accepted by the account administrator

1 as provided in that Act;

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

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

15 (V) Beginning with tax years ending on or after  
16 December 31, 1995 and ending with tax years ending on  
17 or before December 31, 2004, an amount equal to the  
18 amount paid by a taxpayer who is a self-employed  
19 taxpayer, a partner of a partnership, or a shareholder  
20 in a Subchapter S corporation for health insurance or  
21 long-term care insurance for that taxpayer or that  
22 taxpayer's spouse or dependents, to the extent that the  
23 amount paid for that health insurance or long-term care  
24 insurance may be deducted under Section 213 of the  
25 Internal Revenue Code of 1986, has not been deducted on  
26 the federal income tax return of the taxpayer, and does

1 not exceed the taxable income attributable to that  
2 taxpayer's income, self-employment income, or  
3 Subchapter S corporation income; except that no  
4 deduction shall be allowed under this item (V) if the  
5 taxpayer is eligible to participate in any health  
6 insurance or long-term care insurance plan of an  
7 employer of the taxpayer or the taxpayer's spouse. The  
8 amount of the health insurance and long-term care  
9 insurance subtracted under this item (V) shall be  
10 determined by multiplying total health insurance and  
11 long-term care insurance premiums paid by the taxpayer  
12 times a number that represents the fractional  
13 percentage of eligible medical expenses under Section  
14 213 of the Internal Revenue Code of 1986 not actually  
15 deducted on the taxpayer's federal income tax return;

16 (W) For taxable years beginning on or after January  
17 1, 1998, all amounts included in the taxpayer's federal  
18 gross income in the taxable year from amounts converted  
19 from a regular IRA to a Roth IRA. This paragraph is  
20 exempt from the provisions of Section 250;

21 (X) For taxable year 1999 and thereafter, an amount  
22 equal to the amount of any (i) distributions, to the  
23 extent includible in gross income for federal income  
24 tax purposes, made to the taxpayer because of his or  
25 her status as a victim of persecution for racial or  
26 religious reasons by Nazi Germany or any other Axis



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

1 of Section 250;

2 (Y) For taxable years beginning on or after January  
3 1, 2002 and ending on or before December 31, 2004,  
4 moneys contributed in the taxable year to a College  
5 Savings Pool account under Section 16.5 of the State  
6 Treasurer Act, except that amounts excluded from gross  
7 income under Section 529(c)(3)(C)(i) of the Internal  
8 Revenue Code shall not be considered moneys  
9 contributed under this subparagraph (Y). For taxable  
10 years beginning on or after January 1, 2005, a maximum  
11 of \$10,000 contributed in the taxable year to (i) a  
12 College Savings Pool account under Section 16.5 of the  
13 State Treasurer Act or (ii) the Illinois Prepaid  
14 Tuition Trust Fund, except that amounts excluded from  
15 gross income under Section 529(c)(3)(C)(i) of the  
16 Internal Revenue Code shall not be considered moneys  
17 contributed under this subparagraph (Y). This  
18 subparagraph (Y) is exempt from the provisions of  
19 Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (CC) The amount of (i) any interest income (net of  
25 the deductions allocable thereto) taken into account  
26 for the taxable year with respect to a transaction with

1 a taxpayer that is required to make an addition  
2 modification with respect to such transaction under  
3 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
4 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
5 the amount of that addition modification, and (ii) any  
6 income from intangible property (net of the deductions  
7 allocable thereto) taken into account for the taxable  
8 year with respect to a transaction with a taxpayer that  
9 is required to make an addition modification with  
10 respect to such transaction under Section  
11 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
12 203(d)(2)(D-8), but not to exceed the amount of that  
13 addition modification. This subparagraph (CC) is  
14 exempt from the provisions of Section 250;

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

1 unitary business group because he or she is ordinarily  
2 required to apportion business income under different  
3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the same  
5 taxable year under Section 203(a)(2)(D-17) for  
6 interest paid, accrued, or incurred, directly or  
7 indirectly, to the same person. This subparagraph (DD)  
8 is exempt from the provisions of Section 250; ~~and~~

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

1 incurred, directly or indirectly, to the same foreign  
2 person. This subparagraph (EE) is exempt from the  
3 provisions of Section 250; and -

4 (FF) To the extent properly includable in the gross  
5 income for federal income tax purposes of a designated  
6 beneficiary, as defined in the Homecare Option Program  
7 for the Elderly Act, an amount equal to the interest  
8 earned on contributions to accounts established for  
9 the designated beneficiary pursuant to that Act.

10 (b) Corporations.

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

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

17 (A) An amount equal to all amounts paid or accrued  
18 to the taxpayer as interest and all distributions  
19 received from regulated investment companies during  
20 the taxable year to the extent excluded from gross  
21 income in the computation of taxable income;

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

25 (C) In the case of a regulated investment company,

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

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

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

24 (i) the addition modification relating to the  
25 net operating loss carried back or forward to the  
26 taxable year from any taxable year ending prior to



1 December 31, 1986 shall be reduced by the amount of  
2 addition modification under this subparagraph (E)  
3 which related to that net operating loss and which  
4 was taken into account in calculating the base  
5 income of an earlier taxable year, and

6 (ii) 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 not exceed the amount of  
10 such carryback or carryforward;

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

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

23 (E-10) For taxable years 2001 and thereafter, an  
24 amount equal to the bonus depreciation deduction taken  
25 on the taxpayer's federal income tax return for the  
26 taxable year under subsection (k) of Section 168 of the

1 Internal Revenue Code;

2 (E-11) If the taxpayer sells, transfers, abandons,  
3 or otherwise disposes of property for which the  
4 taxpayer was required in any taxable year to make an  
5 addition modification under subparagraph (E-10), then  
6 an amount equal to the aggregate amount of the  
7 deductions taken in all taxable years under  
8 subparagraph (T) with respect to that property.

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

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

19 (E-12) An amount equal to the amount otherwise  
20 allowed as a deduction in computing base income for  
21 interest paid, accrued, or incurred, directly or  
22 indirectly, (i) for taxable years ending on or after  
23 December 31, 2004, to a foreign person who would be a  
24 member of the same unitary business group but for the  
25 fact the foreign person's business activity outside  
26 the United States is 80% or more of the foreign

1 person's total business activity and (ii) for taxable  
2 years ending on or after December 31, 2008, to a person  
3 who would be a member of the same unitary business  
4 group but for the fact that the person is prohibited  
5 under Section 1501(a)(27) from being included in the  
6 unitary business group because he or she is ordinarily  
7 required to apportion business income under different  
8 subsections of Section 304. The addition modification  
9 required by this subparagraph shall be reduced to the  
10 extent that dividends were included in base income of  
11 the unitary group for the same taxable year and  
12 received by the taxpayer or by a member of the  
13 taxpayer's unitary business group (including amounts  
14 included in gross income pursuant to Sections 951  
15 through 964 of the Internal Revenue Code and amounts  
16 included in gross income under Section 78 of the  
17 Internal Revenue Code) with respect to the stock of the  
18 same person to whom the interest was paid, accrued, or  
19 incurred.

20 This paragraph shall not apply to the following:

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

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

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

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

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

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

1 to the application or use of an alternative method  
2 of apportionment under Section 304(f).

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

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

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

1           subparagraph, "intangible property" includes patents,  
2           patent applications, trade names, trademarks, service  
3           marks, copyrights, mask works, trade secrets, and  
4           similar types of intangible assets.

5           This paragraph shall not apply to the following:

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

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

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

22               (b) the transaction giving rise to the  
23               intangible expense or cost between the  
24               taxpayer and the person did not have as a  
25               principal purpose the avoidance of Illinois  
26               income tax, and is paid pursuant to a contract

1           or agreement that reflects arm's-length terms;

2           or

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

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

20          (E-14) For taxable years ending on or after  
21          December 31, 2008, an amount equal to the amount of  
22          insurance premium expenses and costs otherwise allowed  
23          as a deduction in computing base income, and that were  
24          paid, accrued, or incurred, directly or indirectly, to  
25          a person who would be a member of the same unitary  
26          business group but for the fact that the person is



1 prohibited under Section 1501(a)(27) from being  
2 included in the unitary business group because he or  
3 she is ordinarily required to apportion business  
4 income under different subsections of Section 304. The  
5 addition modification required by this subparagraph  
6 shall be reduced to the extent that dividends were  
7 included in base income of the unitary group for the  
8 same taxable year and received by the taxpayer or by a  
9 member of the taxpayer's unitary business group  
10 (including amounts included in gross income under  
11 Sections 951 through 964 of the Internal Revenue Code  
12 and amounts included in gross income under Section 78  
13 of the Internal Revenue Code) with respect to the stock  
14 of the same person to whom the premiums and costs were  
15 directly or indirectly paid, incurred, or accrued. The  
16 preceding sentence does not apply to the extent that  
17 the same dividends caused a reduction to the addition  
18 modification required under Section 203(b)(2)(E-12) or  
19 Section 203(b)(2)(E-13) of this Act;

20 (E-15) For taxable years beginning after December  
21 31, 2008, any deduction for dividends paid by a captive  
22 real estate investment trust that is allowed to a real  
23 estate investment trust under Section 857(b)(2)(B) of  
24 the Internal Revenue Code for dividends paid;

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

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

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

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

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

25 (J) An amount equal to all amounts included in such  
26 total which are exempt from taxation by this State

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

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

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

1           (M) For any taxpayer that is a financial  
2 organization within the meaning of Section 304(c) of  
3 this Act, an amount included in such total as interest  
4 income from a loan or loans made by such taxpayer to a  
5 borrower, to the extent that such a loan is secured by  
6 property which is eligible for the Enterprise Zone  
7 Investment Credit or the River Edge Redevelopment Zone  
8 Investment Credit. To determine the portion of a loan  
9 or loans that is secured by property eligible for a  
10 Section 201(f) investment credit to the borrower, the  
11 entire principal amount of the loan or loans between  
12 the taxpayer and the borrower should be divided into  
13 the basis of the Section 201(f) investment credit  
14 property which secures the loan or loans, using for  
15 this purpose the original basis of such property on the  
16 date that it was placed in service in the Enterprise  
17 Zone or the River Edge Redevelopment Zone. The  
18 subtraction modification available to taxpayer in any  
19 year under this subsection shall be that portion of the  
20 total interest paid by the borrower with respect to  
21 such loan attributable to the eligible property as  
22 calculated under the previous sentence. This  
23 subparagraph (M) is exempt from the provisions of  
24 Section 250;

25           (M-1) For any taxpayer that is a financial  
26 organization within the meaning of Section 304(c) of

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

24               (N) Two times any contribution made during the  
25               taxable year to a designated zone organization to the  
26               extent that the contribution (i) qualifies as a

1 charitable contribution under subsection (c) of  
2 Section 170 of the Internal Revenue Code and (ii) must,  
3 by its terms, be used for a project approved by the  
4 Department of Commerce and Economic Opportunity under  
5 Section 11 of the Illinois Enterprise Zone Act or under  
6 Section 10-10 of the River Edge Redevelopment Zone Act.  
7 This subparagraph (N) is exempt from the provisions of  
8 Section 250;

9 (O) An amount equal to: (i) 85% for taxable years  
10 ending on or before December 31, 1992, or, a percentage  
11 equal to the percentage allowable under Section  
12 243(a)(1) of the Internal Revenue Code of 1986 for  
13 taxable years ending after December 31, 1992, of the  
14 amount by which dividends included in taxable income  
15 and received from a corporation that is not created or  
16 organized under the laws of the United States or any  
17 state or political subdivision thereof, including, for  
18 taxable years ending on or after December 31, 1988,  
19 dividends received or deemed received or paid or deemed  
20 paid under Sections 951 through 964 of the Internal  
21 Revenue Code, exceed the amount of the modification  
22 provided under subparagraph (G) of paragraph (2) of  
23 this subsection (b) which is related to such dividends,  
24 and including, for taxable years ending on or after  
25 December 31, 2008, dividends received from a captive  
26 real estate investment trust; plus (ii) 100% of the

1 amount by which dividends, included in taxable income  
2 and received, including, for taxable years ending on or  
3 after December 31, 1988, dividends received or deemed  
4 received or paid or deemed paid under Sections 951  
5 through 964 of the Internal Revenue Code and including,  
6 for taxable years ending on or after December 31, 2008,  
7 dividends received from a captive real estate  
8 investment trust, from any such corporation specified  
9 in clause (i) that would but for the provisions of  
10 Section 1504 (b) (3) of the Internal Revenue Code be  
11 treated as a member of the affiliated group which  
12 includes the dividend recipient, exceed the amount of  
13 the modification provided under subparagraph (G) of  
14 paragraph (2) of this subsection (b) which is related  
15 to such dividends. This subparagraph (O) is exempt from  
16 the provisions of Section 250 of this Act;

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

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

25 (R) On and after July 20, 1999, in the case of an  
26 attorney-in-fact with respect to whom an interinsurer

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

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

22 (T) For taxable years 2001 and thereafter, for the  
23 taxable year in which the bonus depreciation deduction  
24 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 (T) is exempt from the provisions of  
5 Section 250;

6 (U) 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 (E-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 (E-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 (U) is exempt from the  
22 provisions of Section 250;

23 (V) 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, (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, and (iii) any insurance premium  
13 income (net of deductions allocable thereto) taken  
14 into account for the taxable year with respect to a  
15 transaction with a taxpayer that is required to make an  
16 addition modification with respect to such transaction  
17 under Section 203(a)(2)(D-19), Section  
18 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
19 203(d)(2)(D-9), but not to exceed the amount of that  
20 addition modification. This subparagraph (V) is exempt  
21 from the provisions of Section 250;

22 (W) An amount equal to the interest income taken  
23 into account for the taxable year (net of the  
24 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(b)(2)(E-12) for  
13 interest paid, accrued, or incurred, directly or  
14 indirectly, to the same person. This subparagraph (W)  
15 is exempt from the provisions of Section 250; ~~and~~

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

1 under Section 1501(a)(27) from being included in the  
2 unitary business group because he or she is ordinarily  
3 required to apportion business income under different  
4 subsections of Section 304, but not to exceed the  
5 addition modification required to be made for the same  
6 taxable year under Section 203(b)(2)(E-13) for  
7 intangible expenses and costs paid, accrued, or  
8 incurred, directly or indirectly, to the same foreign  
9 person. This subparagraph (X) is exempt from the  
10 provisions of Section 250; and ~~(Y)~~

11 (Y) To the extent properly includable in the gross  
12 income for federal income tax purposes of a designated  
13 beneficiary, as defined in the Homecare Option Program  
14 for the Elderly Act, an amount equal to the interest  
15 earned on contributions to accounts established for  
16 the designated beneficiary pursuant to that Act.

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

21 (c) Trusts and estates.

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

25 (2) Modifications. Subject to the provisions of

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

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

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

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

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

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

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

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

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

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

25                  (F) For taxable years ending on or after January 1,  
26                  1989, an amount equal to the tax deducted pursuant to

1 Section 164 of the Internal Revenue Code if the trust  
2 or estate is claiming the same tax for purposes of the  
3 Illinois foreign tax credit under Section 601 of this  
4 Act;

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

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

14 (G-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 (G-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 (G-10), then  
23 an amount equal to the aggregate amount of the  
24 deductions taken in all taxable years under  
25 subparagraph (R) 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 (R), 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           (G-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 that the foreign person's business activity  
17           outside 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 person who  
14 is subject in a foreign country or state, other  
15 than a state which requires mandatory unitary  
16 reporting, to a tax on or measured by net income  
17 with respect to such interest; or

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

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

26 (b) the transaction giving rise to the

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

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

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

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

1           by which the Department will utilize its authority  
2           under Section 404 of this Act;

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

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

22 This paragraph shall not apply to the following:

23 (i) any item of intangible expenses or costs  
24 paid, accrued, or incurred, directly or  
25 indirectly, from a transaction with a person who is  
26 subject in a foreign country or state, other than a

1 state which requires mandatory unitary reporting,  
2 to a tax on or measured by net income with respect  
3 to such item; or

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

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

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

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

1 method of apportionment under Section 304(f);

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

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

1 (including amounts included in gross income under  
2 Sections 951 through 964 of the Internal Revenue Code  
3 and amounts included in gross income under Section 78  
4 of the Internal Revenue Code) with respect to the stock  
5 of the same person to whom the premiums and costs were  
6 directly or indirectly paid, incurred, or accrued. The  
7 preceding sentence does not apply to the extent that  
8 the same dividends caused a reduction to the addition  
9 modification required under Section 203(c)(2)(G-12) or  
10 Section 203(c)(2)(G-13) of this Act.

11 and by deducting from the total so obtained the sum of the  
12 following amounts:

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

24 (I) The valuation limitation amount;

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



1 and included in such total for the taxable year;

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

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

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

1           such total which were paid by a corporation which  
2           conducts business operations in an Enterprise Zone or  
3           zones created under the Illinois Enterprise Zone Act or  
4           a River Edge Redevelopment Zone or zones created under  
5           the River Edge Redevelopment Zone Act and conducts  
6           substantially all of its operations in an Enterprise  
7           Zone or Zones or a River Edge Redevelopment Zone or  
8           zones. This subparagraph (M) is exempt from the  
9           provisions of Section 250;

10           (N) An amount equal to any contribution made to a  
11           job training project established pursuant to the Tax  
12           Increment Allocation Redevelopment Act;

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

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

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

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

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

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

21 (2) for taxable years ending on or before  
22 December 31, 2005, "x" equals "y" multiplied by 30  
23 and then divided by 70 (or "y" multiplied by  
24 0.429); and

25 (3) for taxable years ending after December  
26 31, 2005:

1 (i) for property on which a bonus  
2 depreciation deduction of 30% of the adjusted  
3 basis was taken, "x" equals "y" multiplied by  
4 30 and then divided by 70 (or "y" multiplied by  
5 0.429); and

6 (ii) for property on which a bonus  
7 depreciation deduction of 50% of the adjusted  
8 basis was taken, "x" equals "y" multiplied by  
9 1.0.

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

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

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

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

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

7           This subparagraph (S) is exempt from the  
8           provisions of Section 250;

9           (T) The amount of (i) any interest income (net of  
10          the deductions allocable thereto) taken into account  
11          for the taxable year with respect to a transaction with  
12          a taxpayer that is required to make an addition  
13          modification with respect to such transaction under  
14          Section        203(a)(2)(D-17),        203(b)(2)(E-12),  
15          203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
16          the amount of such addition modification and (ii) any  
17          income from intangible property (net of the deductions  
18          allocable thereto) taken into account for the taxable  
19          year with respect to a transaction with a taxpayer that  
20          is required to make an addition modification with  
21          respect to such transaction under Section  
22          203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
23          203(d)(2)(D-8), but not to exceed the amount of such  
24          addition modification. This subparagraph (T) is exempt  
25          from the provisions of Section 250;

26          (U) 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 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(c)(2)(G-12) for  
17          interest paid, accrued, or incurred, directly or  
18          indirectly, to the same person. This subparagraph (U)  
19          is exempt from the provisions of Section 250; ~~and~~

20               (V) An amount equal to the income from intangible  
21          property taken into account for the taxable year (net  
22          of the deductions allocable thereto) with respect to  
23          transactions with (i) a foreign person who would be a  
24          member of the taxpayer's unitary business group but for  
25          the fact that the foreign person's business activity  
26          outside the United States is 80% or more of that

1 person's total business activity and (ii) for taxable  
2 years ending on or after December 31, 2008, to a person  
3 who would be a member of the same unitary business  
4 group but for the fact that the person is prohibited  
5 under Section 1501(a)(27) from being included in the  
6 unitary business group because he or she is ordinarily  
7 required to apportion business income under different  
8 subsections of Section 304, but not to exceed the  
9 addition modification required to be made for the same  
10 taxable year under Section 203(c)(2)(G-13) for  
11 intangible expenses and costs paid, accrued, or  
12 incurred, directly or indirectly, to the same foreign  
13 person. This subparagraph (V) is exempt from the  
14 provisions of Section 250; and ~~-(W)~~

15 (W) To the extent properly includable in the gross  
16 income for federal income tax purposes of a designated  
17 beneficiary, as defined in the Homecare Option Program  
18 for the Elderly Act, an amount equal to the interest  
19 earned on contributions to accounts established for  
20 the designated beneficiary pursuant to that Act.

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



1 Code Section 642(c) during the taxable year.

2 (d) Partnerships.

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

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

9 (A) An amount equal to all amounts paid or accrued  
10 to the taxpayer as interest or dividends during the  
11 taxable year to the extent excluded from gross income  
12 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 for  
15 the taxable year;

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

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

23 (D-5) For taxable years 2001 and thereafter, an  
24 amount equal to the bonus depreciation deduction taken  
25 on the taxpayer's federal income tax return for the

1 taxable year under subsection (k) of Section 168 of the  
2 Internal Revenue Code;

3 (D-6) If the taxpayer sells, transfers, abandons,  
4 or otherwise disposes of property for which the  
5 taxpayer was required in any taxable year to make an  
6 addition modification under subparagraph (D-5), then  
7 an amount equal to the aggregate amount of the  
8 deductions taken in all taxable years under  
9 subparagraph (O) with respect to that property.

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

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

20 (D-7) An amount equal to the amount otherwise  
21 allowed as a deduction in computing base income for  
22 interest paid, accrued, or incurred, directly or  
23 indirectly, (i) for taxable years ending on or after  
24 December 31, 2004, to a foreign person who would be a  
25 member of the same unitary business group but for the  
26 fact the foreign person's business activity outside

1 the United States is 80% or more of the foreign  
2 person's total business activity and (ii) for taxable  
3 years ending on or after December 31, 2008, to a person  
4 who would be a member of the same unitary business  
5 group but for the fact that the person is prohibited  
6 under Section 1501(a)(27) from being included in the  
7 unitary business group because he or she is ordinarily  
8 required to apportion business income under different  
9 subsections of Section 304. The addition modification  
10 required by this subparagraph shall be reduced to the  
11 extent that dividends were included in base income of  
12 the unitary group for the same taxable year and  
13 received by the taxpayer or by a member of the  
14 taxpayer's unitary business group (including amounts  
15 included in gross income pursuant to Sections 951  
16 through 964 of the Internal Revenue Code and amounts  
17 included in gross income under Section 78 of the  
18 Internal Revenue Code) with respect to the stock of the  
19 same person to whom the interest was paid, accrued, or  
20 incurred.

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

13          (D-8) An amount equal to the amount of intangible  
14          expenses and costs otherwise allowed as a deduction in  
15          computing base income, and that were paid, accrued, or  
16          incurred, directly or indirectly, (i) for taxable  
17          years ending on or after December 31, 2004, to a  
18          foreign person who would be a member of the same  
19          unitary business group but for the fact that the  
20          foreign person's business activity outside the United  
21          States is 80% or more of that person's total business  
22          activity and (ii) for taxable years ending on or after  
23          December 31, 2008, to a person who would be a member of  
24          the same unitary business group but for the fact that  
25          the person is prohibited under Section 1501(a)(27)  
26          from being included in the unitary business group

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

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

6 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the  
24 intangible expense or cost between the  
25 taxpayer and the person did not have as a  
26 principal purpose the avoidance of Illinois

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

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

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

21 (D-9) For taxable years ending on or after December  
22 31, 2008, an amount equal to the amount of insurance  
23 premium expenses and costs otherwise allowed as a  
24 deduction in computing base income, and that were paid,  
25 accrued, or incurred, directly or indirectly, to a  
26 person who would be a member of the same unitary



1 business group but for the fact that the person is  
2 prohibited under Section 1501(a)(27) from being  
3 included in the unitary business group because he or  
4 she is ordinarily required to apportion business  
5 income under different subsections of Section 304. The  
6 addition modification required by this subparagraph  
7 shall be reduced to the extent that dividends were  
8 included in base income of the unitary group for the  
9 same taxable year and received by the taxpayer or by a  
10 member of the taxpayer's unitary business group  
11 (including amounts included in gross income under  
12 Sections 951 through 964 of the Internal Revenue Code  
13 and amounts included in gross income under Section 78  
14 of the Internal Revenue Code) with respect to the stock  
15 of the same person to whom the premiums and costs were  
16 directly or indirectly paid, incurred, or accrued. The  
17 preceding sentence does not apply to the extent that  
18 the same dividends caused a reduction to the addition  
19 modification required under Section 203(d)(2)(D-7) or  
20 Section 203(d)(2)(D-8) of this Act.

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

23 (E) The valuation limitation amount;

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

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

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

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

24           (J) With the exception of any amounts subtracted  
25 under subparagraph (G), an amount equal to the sum of  
26 all amounts disallowed as deductions by (i) Sections

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

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

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

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

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

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

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

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

26                 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30  
2 and then divided by 70 (or "y" multiplied by  
3 0.429); and

4 (3) for taxable years ending after December  
5 31, 2005:

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

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

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

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

1 equal to that addition modification.

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

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

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

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

1           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
2           203(d)(2)(D-8), but not to exceed the amount of such  
3           addition modification. This subparagraph (Q) is exempt  
4           from Section 250;

5           (R) An amount equal to the interest income taken  
6           into account for the taxable year (net of the  
7           deductions allocable thereto) with respect to  
8           transactions with (i) a foreign person who would be a  
9           member of the taxpayer's unitary business group but for  
10          the fact that the foreign person's business activity  
11          outside the United States is 80% or more of that  
12          person's total business activity 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, but not to exceed the  
20          addition modification required to be made for the same  
21          taxable year under Section 203(d)(2)(D-7) for interest  
22          paid, accrued, or incurred, directly or indirectly, to  
23          the same person. This subparagraph (R) is exempt from  
24          Section 250; ~~and~~

25          (S) An amount equal to the income from intangible  
26          property taken into account for the taxable year (net

1 of the deductions allocable thereto) with respect to  
2 transactions with (i) a foreign person who would be a  
3 member of the taxpayer's unitary business group but for  
4 the fact that the foreign person's business activity  
5 outside the United States is 80% or more of that  
6 person's total business activity and (ii) for taxable  
7 years ending on or after December 31, 2008, to a person  
8 who would be a member of the same unitary business  
9 group but for the fact that the person is prohibited  
10 under Section 1501(a)(27) from being included in the  
11 unitary business group because he or she is ordinarily  
12 required to apportion business income under different  
13 subsections of Section 304, but not to exceed the  
14 addition modification required to be made for the same  
15 taxable year under Section 203(d)(2)(D-8) for  
16 intangible expenses and costs paid, accrued, or  
17 incurred, directly or indirectly, to the same person.  
18 This subparagraph (S) is exempt from Section 250; and ~~and~~  
19 ~~(T)~~

20 (T) To the extent properly includable in the gross  
21 income for federal income tax purposes of a designated  
22 beneficiary, as defined in the Homecare Option Program  
23 for the Elderly Act, an amount equal to the interest  
24 earned on contributions to accounts established for  
25 the designated beneficiary pursuant to that Act.



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

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

1 addition modification must be made under those  
2 subparagraphs for any other taxable year to which the  
3 taxable income less than zero (net operating loss) is  
4 applied under Section 172 of the Internal Revenue Code or  
5 under subparagraph (E) of paragraph (2) of this subsection  
6 (e) applied in conjunction with Section 172 of the Internal  
7 Revenue Code.

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

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

18 (B) Certain other insurance companies. In the case  
19 of mutual insurance companies subject to the tax  
20 imposed by Section 831 of the Internal Revenue Code,  
21 insurance company taxable income;

22 (C) Regulated investment companies. In the case of  
23 a regulated investment company subject to the tax  
24 imposed by Section 852 of the Internal Revenue Code,  
25 investment company taxable income;

26 (D) Real estate investment trusts. In the case of a

1 real estate investment trust subject to the tax imposed  
2 by Section 857 of the Internal Revenue Code, real  
3 estate investment trust taxable income;

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

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

21 (G) Subchapter S corporations. In the case of: (i)  
22 a Subchapter S corporation for which there is in effect  
23 an election for the taxable year under Section 1362 of  
24 the Internal Revenue Code, the taxable income of such  
25 corporation determined in accordance with Section  
26 1363(b) of the Internal Revenue Code, except that

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

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

18 (3) Recapture of business expenses on disposition of  
19 asset or business. Notwithstanding any other law to the  
20 contrary, if in prior years income from an asset or  
21 business has been classified as business income and in a  
22 later year is demonstrated to be non-business income, then  
23 all expenses, without limitation, deducted in such later  
24 year and in the 2 immediately preceding taxable years  
25 related to that asset or business that generated the  
26 non-business income shall be added back and recaptured as

1 business income in the year of the disposition of the asset  
2 or business. Such amount shall be apportioned to Illinois  
3 using the greater of the apportionment fraction computed  
4 for the business under Section 304 of this Act for the  
5 taxable year or the average of the apportionment fractions  
6 computed for the business under Section 304 of this Act for  
7 the taxable year and for the 2 immediately preceding  
8 taxable years.

9 (f) Valuation limitation amount.

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

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

18 (B) The lesser of (i) the sum of the pre-August 1,  
19 1969 appreciation amounts (to the extent consisting of  
20 capital gain) for all property in respect of which such  
21 gain was reported for federal income tax purposes for  
22 the taxable year, or (ii) the net capital gain for the  
23 taxable year, reduced in either case by any amount of  
24 such gain included in the amount determined under  
25 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

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

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

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

13 (Source: P.A. 94-776, eff. 5-19-06; 94-789, eff. 5-19-06;  
14 94-1021, eff. 7-12-06; 94-1074, eff. 12-26-06; 95-23, eff.  
15 8-3-07; 95-233, eff. 8-16-07; 95-286, eff. 8-20-07; 95-331,  
16 eff. 8-21-07; 95-707, eff. 1-11-08; 95-876, eff. 8-21-08;  
17 revised 10-15-08.)

18 Section 95. The Illinois Securities Law of 1953 is amended  
19 by changing Section 3 as follows:

20 (815 ILCS 5/3) (from Ch. 121 1/2, par. 137.3)

21 Sec. 3. The provisions of Sections 2a, 5, 6 and 7 of this  
22 Act shall not apply to any of the following securities:

1           A. Any security (including a revenue obligation) issued or  
2 guaranteed by the United States, any state, any political  
3 subdivision of a state, or any agency or corporation or other  
4 instrumentality of any one or more of the foregoing, or any  
5 certificate of deposit for any such security.

6           B. Any security issued or guaranteed by Canada, any  
7 Canadian province, any political subdivision of any such  
8 province, any agency or corporation or other instrumentality of  
9 one or more of the foregoing, or any other foreign government  
10 with which the United States then maintains diplomatic  
11 relations, if the security is recognized as a valid obligation  
12 by the issuer or guarantor.

13           C. (1) Any security issued by and representing an interest  
14 in or a debt of, or guaranteed by, any bank or savings bank,  
15 bank holding company, or credit union organized under the laws  
16 of the United States, or any bank, savings bank, savings  
17 institution or trust company organized and supervised under the  
18 laws of any state, or any interest or participation in any  
19 common trust fund or similar fund maintained by any such bank,  
20 savings bank, savings institution or trust company exclusively  
21 for the collective investment and reinvestment of assets  
22 contributed thereto by such bank, savings bank, savings  
23 institution or trust company or any affiliate thereof, in its  
24 capacity as fiduciary, trustee, executor, administrator or  
25 guardian.

26           (2) Any security issued or guaranteed to both principal and



1 interest by an international bank of which the United States is  
2 a member.

3 D. (1) Any security issued by and representing an interest  
4 in or a debt of, or guaranteed by, any federal savings and loan  
5 association, or any savings and loan association or building  
6 and loan association organized and supervised under the laws of  
7 any state.

8 (2) Any security issued or guaranteed by any federal credit  
9 union or any credit union, industrial loan association, or  
10 similar organization organized and supervised under the laws of  
11 any state.

12 E. Any security issued or guaranteed by any railroad, other  
13 common carrier, public utility or holding company where such  
14 issuer or guarantor is subject to the jurisdiction of the  
15 Interstate Commerce Commission or successor entity, or is a  
16 registered holding company under the Public Utility Holding  
17 Company Act of 1935 or a subsidiary of such a company within  
18 the meaning of that Act, or is regulated in respect of its  
19 rates and charges by a governmental authority of the United  
20 States or any state, or is regulated in respect of the issuance  
21 or guarantee of the security by a governmental authority of the  
22 United States, any state, Canada, or any Canadian province.

23 F. Equipment trust certificates in respect of equipment  
24 leased or conditionally sold to a person, if securities issued  
25 by such person would be exempt under subsection E of this  
26 Section.

1           G. Any security which at the time of sale is listed or  
2 approved for listing upon notice of issuance on the New York  
3 Stock Exchange, Inc., the American Stock Exchange, Inc., the  
4 Pacific Stock Exchange, Inc., the Chicago Stock Exchange, Inc.,  
5 the Chicago Board of Trade, the Philadelphia Stock Exchange,  
6 Inc., the Chicago Board Options Exchange, Incorporated, the  
7 National Market System of the Nasdaq Stock Market, or any other  
8 exchange, automated quotation system or board of trade which  
9 the Secretary of State, by rule or regulation, deems to have  
10 substantially equivalent standards for listing or designation  
11 as required by any such exchange, automated quotation system or  
12 board of trade; and securities senior or of substantially equal  
13 rank, both as to dividends or interest and upon liquidation, to  
14 securities so listed or designated; and warrants and rights to  
15 purchase any of the foregoing; provided, however, that this  
16 subsection G shall not apply to investment fund shares or  
17 securities of like character, which are being continually  
18 offered at a price or prices determined in accordance with a  
19 prescribed formula.

20           The Secretary of State may, after notice and opportunity  
21 for hearing, revoke the exemption afforded by this subparagraph  
22 with respect to any securities by issuing an order if the  
23 Secretary of State finds that the further sale of the  
24 securities in this State would work or tend to work a fraud on  
25 purchasers of the securities.

26           H. Any security issued by a person organized and operated

1 not for pecuniary profit and exclusively for religious,  
2 educational, benevolent, fraternal, agricultural, charitable,  
3 athletic, professional, trade, social or reformatory purposes,  
4 or as a chamber of commerce or local industrial development  
5 corporation, or for more than one of said purposes and no part  
6 of the net earnings of which inures to the benefit of any  
7 private stockholder or member.

8 I. Instruments evidencing indebtedness under an agreement  
9 for the acquisition of property under contract of conditional  
10 sale.

11 J. A note secured by a first mortgage upon tangible  
12 personal or real property when such mortgage is made, assigned,  
13 sold, transferred and delivered with such note or other written  
14 obligation secured by such mortgage, either to or for the  
15 benefit of the purchaser or lender; or bonds or notes not more  
16 than 10 in number secured by a first mortgage upon the title in  
17 fee simple to real property if the aggregate principal amount  
18 secured by such mortgage does not exceed \$500,000 and also does  
19 not exceed 75% of the fair market value of such real property.

20 K. A note or notes not more than 10 in number secured by a  
21 junior mortgage lien if the aggregate principal amount of the  
22 indebtedness represented thereby does not exceed 50% of the  
23 amount of the then outstanding prior lien indebtedness and  
24 provided that the total amount of the indebtedness (including  
25 the indebtedness represented by the subject junior mortgage  
26 note or notes) shall not exceed 90% of the fair market value of

1 the property securing such indebtedness; and provided further  
2 that each such note or notes shall bear across the face thereof  
3 the following legend in letters at least as large as 12 point  
4 type: "THIS NOTE IS SECURED BY A JUNIOR MORTGAGE".

5 L. Any negotiable promissory note or draft, bill of  
6 exchange or bankers' acceptance which arises out of a current  
7 transaction or the proceeds of which have been or are to be  
8 used for current transactions, and which evidences an  
9 obligation to pay cash within 9 months of the date of issuance  
10 exclusive of days of grace, or any renewal of such note, draft,  
11 bill or acceptance which is likewise limited, or any guarantee  
12 of such note, draft, bill or acceptance or of any such renewal,  
13 provided that the note, draft, bill, or acceptance is a  
14 negotiable security eligible for discounting by banks that are  
15 members of the Federal Reserve System. Any instrument exempted  
16 under this subsection from the requirement of Sections 5, 6,  
17 and 7 of this Act shall bear across the face thereof the  
18 following legend in letters at least as large as 12 point type:  
19 "THIS INSTRUMENT IS NEITHER GUARANTEED, NOR IS THE ISSUANCE  
20 THEREOF REGULATED BY ANY AGENCY OR DEPARTMENT OF THE STATE OF  
21 ILLINOIS OR THE UNITED STATES.". However, the foregoing legend  
22 shall not be required with respect to any such instrument:

23 (i) sold to a person described in subsection C or H of  
24 Section 4 of this Act;

25 (ii) sold to a "Qualified Institutional Buyer" as that  
26 term is defined in Rule 144a adopted under the Securities

1 Act of 1933;

2 (iii) where the minimum initial subscription for the  
3 purchase of such instrument is \$100,000 or more; or

4 (iv) issued by an issuer that has any class of  
5 securities registered under Section 12 of the Securities  
6 Exchange Act of 1934 or has any outstanding class of  
7 indebtedness rated in one of the 3 highest categories by a  
8 rating agency designated by the Department;

9 M. Any security issued by and representing an interest in  
10 or a debt of, or guaranteed by, any insurance company organized  
11 under the laws of any state.

12 N. Any security issued pursuant to (i) a written  
13 compensatory benefit plan (including without limitation, any  
14 purchase, savings, option, bonus, stock appreciation, profit  
15 sharing, thrift, incentive, pension, or similar plan) and  
16 interests in such plans established by one or more of the  
17 issuers thereof or its parents or majority-owned subsidiaries  
18 for the participation of their employees, directors, general  
19 partners, trustees (where the issuer is a business trust),  
20 officers, or consultants or advisers of such issuers or its  
21 parents or majority-owned subsidiaries, provided that bona  
22 fide services are rendered by consultants or advisers and those  
23 services are not in connection with the offer and sale of  
24 securities in a capital-raising transaction or (ii) a written  
25 contract relating to the compensation of any such person.

26 O. Any option, put, call, spread or straddle issued by a

1 clearing agency registered as such under the Federal 1934 Act,  
2 if the security, currency, commodity, or other interest  
3 underlying the option, put, call, spread or straddle is not  
4 required to be registered under Section 5.

5 P. Any security which meets all of the following  
6 conditions:

7 (1) If the issuer is not organized under the laws of  
8 the United States or a state, it has appointed a duly  
9 authorized agent in the United States for service of  
10 process and has set forth the name and address of the agent  
11 in its prospectus.

12 (2) A class of the issuer's securities is required to  
13 be and is registered under Section 12 of the Federal 1934  
14 Act, and has been so registered for the three years  
15 immediately preceding the offering date.

16 (3) Neither the issuer nor a significant subsidiary has  
17 had a material default during the last seven years, or for  
18 the period of the issuer's existence if less than seven  
19 years, in the payment of (i) principal, interest, dividend,  
20 or sinking fund installment on preferred stock or  
21 indebtedness for borrowed money, or (ii) rentals under  
22 leases with terms of three years or more.

23 (4) The issuer has had consolidated net income, before  
24 extraordinary items and the cumulative effect of  
25 accounting changes, of at least \$1,000,000 in four of its  
26 last five fiscal years including its last fiscal year; and

1 if the offering is of interest bearing securities, has had  
2 for its last fiscal year, net income, before deduction for  
3 income taxes and depreciation, of at least 1-1/2 times the  
4 issuer's annual interest expense, giving effect to the  
5 proposed offering and the intended use of the proceeds. For  
6 the purposes of this clause "last fiscal year" means the  
7 most recent year for which audited financial statements are  
8 available, provided that such statements cover a fiscal  
9 period ended not more than 15 months from the commencement  
10 of the offering.

11 (5) If the offering is of stock or shares other than  
12 preferred stock or shares, the securities have voting  
13 rights and the rights include (i) the right to have at  
14 least as many votes per share, and (ii) the right to vote  
15 on at least as many general corporate decisions, as each of  
16 the issuer's outstanding classes of stock or shares, except  
17 as otherwise required by law.

18 (6) If the offering is of stock or shares, other than  
19 preferred stock or shares, the securities are owned  
20 beneficially or of record, on any date within six months  
21 prior to the commencement of the offering, by at least  
22 1,200 persons, and on that date there are at least 750,000  
23 such shares outstanding with an aggregate market value,  
24 based on the average bid price for that day, of at least  
25 \$3,750,000. In connection with the determination of the  
26 number of persons who are beneficial owners of the stock or

1 shares of an issuer, the issuer or dealer may rely in good  
2 faith for the purposes of this clause upon written  
3 information furnished by the record owners.

4 (7) The issuer meets the conditions specified in  
5 paragraphs (2), (3) and (4) of this subsection P if either  
6 the issuer or the issuer and the issuer's predecessor,  
7 taken together, meet such conditions and if: (a) the  
8 succession was primarily for the purpose of changing the  
9 state of incorporation of the predecessor or forming a  
10 holding company and the assets and liabilities of the  
11 successor at the time of the succession were substantially  
12 the same as those of the predecessor; or (b) all  
13 predecessors met such conditions at the time of succession  
14 and the issuer has continued to do so since the succession.

15 Q. Any security appearing on the List of OTC Margin Stocks  
16 published by the Board of Governors of the Federal Reserve  
17 System or any security incorporated by reference to the List of  
18 OTC Margin Stocks by the Board of Governors of the Federal  
19 Reserve System; any other securities of the same issuer which  
20 are of senior or substantially equal rank; any securities  
21 called for by subscription rights or warrants so listed or  
22 approved; or any warrants or rights to purchase or subscribe to  
23 any of the foregoing.

24 R. Any security issued by a bona fide agricultural  
25 cooperative operating in this State that is organized under the  
26 laws of this State or as a foreign cooperative association



1 organized under the law of another state that has been duly  
2 qualified to transact business in this State.

3 S. Any participation in the trust established under the  
4 Homecare Option for the Elderly Act, and any offering and  
5 solicitation of the trust.

6 (Source: P.A. 90-70, eff. 7-8-97; 91-809, eff. 1-1-01.)