



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

HB5141

Introduced 1/29/2010, by Rep. Darlene J. Senger

#### SYNOPSIS AS INTRODUCED:

15 ILCS 505/17.10 new  
35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the State Treasurer Act. Authorizes the State Treasurer to establish and administer a Home Savings Pool to supplement and enhance investment opportunities otherwise available to first-time homebuyers. Provides that participants in the Pool are required to use moneys distributed from the Pool for qualified expenditures incident to the purchase of a primary residence by a first-time homebuyer. Contains penalty provisions. Sets forth the duties of the State Treasurer with respect to the Home Savings Pool. Amends the Illinois Income Tax Act. Creates a deduction for individual taxpayers equal to the amount contributed by the taxpayer to a Home Savings Pool account during the taxable year, but not to exceed \$20,000 per taxable year. Effective immediately.

LRB096 16846 HLH 32157 b

FISCAL NOTE ACT  
MAY APPLY

HOUSING  
AFFORDABILITY  
IMPACT NOTE ACT  
MAY APPLY

1 AN ACT concerning State government.

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

4 Section 5. The State Treasurer Act is amended by adding  
5 Section 17.10 as follows:

6 (15 ILCS 505/17.10 new)

7 Sec. 17.10. Home Savings Pool. The State Treasurer may  
8 establish and administer a Home Savings Pool to supplement and  
9 enhance the investment opportunities otherwise available to  
10 first-time homebuyers. The State Treasurer, in administering  
11 the Home Savings Pool, may receive moneys paid into the pool by  
12 a participant and may serve as the fiscal agent of that  
13 participant for the purpose of holding and investing those  
14 moneys.

15 "Participant", as used in this Section, means any person  
16 who has authority to withdraw funds, change the designated  
17 beneficiary, or otherwise exercise control over an account.

18 "Donor", as used in this Section, means any person who makes  
19 investments in the pool. "Designated beneficiary", as used in  
20 this Section, means any person who is a first-time homebuyer  
21 and on whose behalf an account is established in the Home  
22 Savings Pool. For the purposes of this Section, "first-time  
23 homebuyer" means an individual who has not held an ownership

1 interest in residential property. Both in-state and  
2 out-of-state persons may be participants, donors, and  
3 designated beneficiaries in the Home Savings Pool.

4 New accounts in the Home Savings Pool may be processed  
5 through participating financial institutions. "Participating  
6 financial institution", as used in this Section, means any  
7 financial institution insured by the Federal Deposit Insurance  
8 Corporation and lawfully doing business in the State of  
9 Illinois and any credit union approved by the State Treasurer  
10 and lawfully doing business in the State of Illinois that  
11 agrees to process new accounts in the Home Savings Pool.  
12 Participating financial institutions may charge a processing  
13 fee to participants to open an account in the pool that shall  
14 not exceed \$30 in the first calendar year during which a Home  
15 Savings Pool is established and shall be adjusted in each  
16 subsequent calendar year by the Treasurer based on the Consumer  
17 Price Index for the North Central Region as published by the  
18 United States Department of Labor, Bureau of Labor Statistics  
19 for the immediately preceding calendar year. All  
20 communications from the State Treasurer to participants and  
21 donors shall reference the participating financial institution  
22 at which the account was processed.

23 The Treasurer may invest the moneys in the Home Savings  
24 Pool in the same manner and in the same types of investments  
25 provided for the investment of moneys by the Illinois State  
26 Board of Investment. To enhance the safety and liquidity of the

1 Home Savings Pool, to ensure the diversification of the  
2 investment portfolio of the pool, and in an effort to keep  
3 investment dollars in the State of Illinois, the State  
4 Treasurer may make a percentage of each account available for  
5 investment in participating financial institutions doing  
6 business in the State. The Treasurer shall develop, publish,  
7 and implement an investment policy covering the investment of  
8 the moneys in the Home Savings Pool. The policy shall be  
9 published (i) at least once each year in at least one newspaper  
10 of general circulation in both Springfield and Chicago and (ii)  
11 each year as part of the audit of the Home Savings Pool by the  
12 Auditor General, which shall be distributed to all  
13 participants. The Treasurer shall notify all participants in  
14 writing, and the Treasurer shall publish in a newspaper of  
15 general circulation in both Chicago and Springfield, any  
16 changes to the previously published investment policy at least  
17 30 calendar days before implementing the policy. Any investment  
18 policy adopted by the Treasurer shall be reviewed and updated  
19 if necessary within 90 days following the date that the State  
20 Treasurer takes office.

21 Participants shall be required to use moneys distributed  
22 from the Home Savings Pool for expenditures incident to the  
23 purchase of a primary residence by a designated beneficiary,  
24 including, but not limited to, a down payment and closing  
25 costs. Distributions made from the pool for these purposes may  
26 be made directly to a qualified Illinois-registered home

1 lender. The term "qualified Illinois-registered home lender",  
2 as used in this Section, includes (i) banks regulated under the  
3 Illinois Banking Act, (ii) savings and loans regulated under  
4 the Illinois Savings and Loan Act of 1985, (iii) savings banks  
5 regulated under the Savings Bank Act, (iv) credit unions  
6 regulated under the Illinois Credit Union Act, and (v) mortgage  
7 lenders regulated under the Residential Mortgage License Act of  
8 1987. Any moneys distributed from a Home Savings Pool account  
9 that are not used for these purposes shall be subject to a  
10 penalty of 10% of the earnings unless the beneficiary dies or  
11 becomes disabled or unless the beneficiary is 65 years of age  
12 or older and has not previously received a distribution from a  
13 Home Savings Pool account. Penalties shall be withheld at the  
14 time the distribution is made. Participants must submit an  
15 affidavit at the time of application verifying that the  
16 beneficiary of the Home Savings Pool account is a first-time  
17 homebuyer. Submitting a fraudulent affidavit under this  
18 Section is perjury, as defined in Section 32-2 of the Criminal  
19 Code of 1961.

20 The assets of the Home Savings Pool and its income and  
21 operation shall be exempt from all taxation by the State of  
22 Illinois and any of its subdivisions. The accrued earnings on  
23 investments in the Pool once disbursed on behalf of a  
24 designated beneficiary shall be similarly exempt from all  
25 taxation by the State of Illinois and its subdivisions, so long  
26 as they are used for qualified expenses set forth in this

1 Section. Contributions to a Home Savings Pool account during  
2 the taxable year may be deducted from adjusted gross income as  
3 provided in Section 203 of the Illinois Income Tax Act. The  
4 provisions of this paragraph are exempt from Section 250 of the  
5 Illinois Income Tax Act.

6 The Treasurer shall adopt rules he or she considers  
7 necessary for the efficient administration of the Home Savings  
8 Pool. The rules shall provide for the administration expenses  
9 of the pool to be paid from its earnings and for the investment  
10 earnings in excess of the expenses and all moneys collected as  
11 penalties to be credited or paid monthly to the several  
12 participants in the pool in a manner which equitably reflects  
13 the differing amounts of their respective investments in the  
14 pool and the differing periods of time for which those amounts  
15 were in the custody of the pool. Also, the rules shall require  
16 the maintenance of records that enable the Treasurer's office  
17 to produce a report for each account in the pool at least  
18 annually that documents the account balance and investment  
19 earnings. Notice of any proposed amendments to the rules and  
20 regulations shall be provided to all participants prior to  
21 adoption. Amendments to rules and regulations shall apply only  
22 to contributions made after the adoption of the amendment.

23 Upon creating the Home Savings Pool, the State Treasurer  
24 shall give bond with 2 or more sufficient sureties, payable to  
25 and for the benefit of the participants in the Home Savings  
26 Pool, in the penal sum of \$1,000,000, conditioned upon the

1 faithful discharge of his or her duties in relation to the Home  
2 Savings Pool.

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

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

6 Sec. 203. Base income defined.

7 (a) Individuals.

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

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

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

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 adjusted gross income for the

1 taxable year;

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

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

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

26 (D-10) For taxable years ending after December 31,



1 1997, an amount equal to any eligible remediation costs  
2 that the individual deducted in computing adjusted  
3 gross income and for which the individual claims a  
4 credit under subsection (l) of Section 201;

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

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

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

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

1 (D-17) An amount equal to the amount otherwise  
2 allowed as a deduction in computing base income for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, (i) for taxable years ending on or after  
5 December 31, 2004, to a foreign person who would be a  
6 member of the same unitary business group but for the  
7 fact that foreign person's business activity outside  
8 the United States is 80% or more of the foreign  
9 person's total business activity and (ii) for taxable  
10 years ending on or after December 31, 2008, to a person  
11 who would be a member of the same unitary business  
12 group but for the fact that the person is prohibited  
13 under Section 1501(a)(27) from being included in the  
14 unitary business group because he or she is ordinarily  
15 required to apportion business income under different  
16 subsections of Section 304. The addition modification  
17 required by this subparagraph shall be reduced to the  
18 extent that dividends were included in base income of  
19 the unitary group for the same taxable year and  
20 received by the taxpayer or by a member of the  
21 taxpayer's unitary business group (including amounts  
22 included in gross income under Sections 951 through 964  
23 of the Internal Revenue Code and amounts included in  
24 gross income under Section 78 of the Internal Revenue  
25 Code) with respect to the stock of the same person to  
26 whom the interest was paid, accrued, or incurred.

1 This paragraph shall not apply to the following:

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

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

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

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

23 (iii) the taxpayer can establish, based on  
24 clear and convincing evidence, that the interest  
25 paid, accrued, or incurred relates to a contract or  
26 agreement entered into at arm's-length rates and

1 terms and the principal purpose for the payment is  
2 not federal or Illinois tax avoidance; or

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

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

19 (D-18) An amount equal to the amount of intangible  
20 expenses and costs otherwise allowed as a deduction in  
21 computing base income, and that were paid, accrued, or  
22 incurred, directly or indirectly, (i) for taxable  
23 years ending on or after December 31, 2004, to a  
24 foreign person who would be a member of the same  
25 unitary business group but for the fact that the  
26 foreign person's business activity outside the United

1 States is 80% or more of that person's total business  
2 activity and (ii) for taxable years ending on or after  
3 December 31, 2008, to a person who would be a member of  
4 the same unitary business group but for the fact that  
5 the person is prohibited under Section 1501(a)(27)  
6 from being included in the unitary business group  
7 because he or she is ordinarily required to apportion  
8 business income under different subsections of Section  
9 304. The addition modification required by this  
10 subparagraph shall be reduced to the extent that  
11 dividends were included in base income of the unitary  
12 group for the same taxable year and received by the  
13 taxpayer or by a member of the taxpayer's unitary  
14 business group (including amounts included in gross  
15 income under Sections 951 through 964 of the Internal  
16 Revenue Code and amounts included in gross income under  
17 Section 78 of the Internal Revenue Code) with respect  
18 to the stock of the same person to whom the intangible  
19 expenses and costs were directly or indirectly paid,  
20 incurred, or accrued. The preceding sentence does not  
21 apply to the extent that the same dividends caused a  
22 reduction to the addition modification required under  
23 Section 203(a)(2)(D-17) of this Act. As used in this  
24 subparagraph, the term "intangible expenses and costs"  
25 includes (1) expenses, losses, and costs for, or  
26 related to, the direct or indirect acquisition, use,

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

12 This paragraph shall not apply to the following:

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

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

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

1 intangible expense or cost to a person that is  
2 not a related member, and

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

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

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

1 (D-19) For taxable years ending on or after  
2 December 31, 2008, an amount equal to the amount of  
3 insurance premium expenses and costs otherwise allowed  
4 as a deduction in computing base income, and that were  
5 paid, accrued, or incurred, directly or indirectly, to  
6 a person who would be a member of the same unitary  
7 business group but for the fact that the person is  
8 prohibited under Section 1501(a)(27) from being  
9 included in the unitary business group because he or  
10 she is ordinarily required to apportion business  
11 income under different subsections of Section 304. The  
12 addition modification required by this subparagraph  
13 shall be reduced to the extent that dividends were  
14 included in base income of the unitary group for the  
15 same taxable year and received by the taxpayer or by a  
16 member of the taxpayer's unitary business group  
17 (including amounts included in gross income under  
18 Sections 951 through 964 of the Internal Revenue Code  
19 and amounts included in gross income under Section 78  
20 of the Internal Revenue Code) with respect to the stock  
21 of the same person to whom the premiums and costs were  
22 directly or indirectly paid, incurred, or accrued. The  
23 preceding sentence does not apply to the extent that  
24 the same dividends caused a reduction to the addition  
25 modification required under Section 203(a)(2)(D-17) or  
26 Section 203(a)(2)(D-18) of this Act.



1 (D-20) For taxable years beginning on or after  
2 January 1, 2002 and ending on or before December 31,  
3 2006, in the case of a distribution from a qualified  
4 tuition program under Section 529 of the Internal  
5 Revenue Code, other than (i) a distribution from a  
6 College Savings Pool created under Section 16.5 of the  
7 State Treasurer Act or (ii) a distribution from the  
8 Illinois Prepaid Tuition Trust Fund, an amount equal to  
9 the amount excluded from gross income under Section  
10 529(c)(3)(B). For taxable years beginning on or after  
11 January 1, 2007, in the case of a distribution from a  
12 qualified tuition program under Section 529 of the  
13 Internal Revenue Code, other than (i) a distribution  
14 from a College Savings Pool created under Section 16.5  
15 of the State Treasurer Act, (ii) a distribution from  
16 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
17 distribution from a qualified tuition program under  
18 Section 529 of the Internal Revenue Code that (I)  
19 adopts and determines that its offering materials  
20 comply with the College Savings Plans Network's  
21 disclosure principles and (II) has made reasonable  
22 efforts to inform in-state residents of the existence  
23 of in-state qualified tuition programs by informing  
24 Illinois residents directly and, where applicable, to  
25 inform financial intermediaries distributing the  
26 program to inform in-state residents of the existence

1 of in-state qualified tuition programs at least  
2 annually, an amount equal to the amount excluded from  
3 gross income under Section 529(c) (3) (B).

4 For the purposes of this subparagraph (D-20), a  
5 qualified tuition program has made reasonable efforts  
6 if it makes disclosures (which may use the term  
7 "in-state program" or "in-state plan" and need not  
8 specifically refer to Illinois or its qualified  
9 programs by name) (i) directly to prospective  
10 participants in its offering materials or makes a  
11 public disclosure, such as a website posting; and (ii)  
12 where applicable, to intermediaries selling the  
13 out-of-state program in the same manner that the  
14 out-of-state program distributes its offering  
15 materials;

16 (D-21) For taxable years beginning on or after  
17 January 1, 2007, in the case of transfer of moneys from  
18 a qualified tuition program under Section 529 of the  
19 Internal Revenue Code that is administered by the State  
20 to an out-of-state program, an amount equal to the  
21 amount of moneys previously deducted from base income  
22 under subsection (a) (2) (Y) of this Section;

23 (D-22) For taxable years beginning on or after  
24 January 1, 2009, in the case of a nonqualified  
25 withdrawal or refund of moneys from a qualified tuition  
26 program under Section 529 of the Internal Revenue Code

1 administered by the State that is not used for  
2 qualified expenses at an eligible education  
3 institution, an amount equal to the contribution  
4 component of the nonqualified withdrawal or refund  
5 that was previously deducted from base income under  
6 subsection (a)(2)(y) of this Section, provided that  
7 the withdrawal or refund did not result from the  
8 beneficiary's death or disability;

9 (D-23) An amount equal to the credit allowable to  
10 the taxpayer under Section 218(a) of this Act,  
11 determined without regard to Section 218(c) of this  
12 Act;

13 and by deducting from the total so obtained the sum of the  
14 following amounts:

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

1 United States Code as a member of the Illinois National  
2 Guard or, beginning with taxable years ending on or  
3 after December 31, 2007, the National Guard of any  
4 other state. For taxable years ending on or after  
5 December 31, 2001, any amount included in such total in  
6 respect of any compensation (including but not limited  
7 to any compensation paid or accrued to a serviceman  
8 while a prisoner of war or missing in action) paid to a  
9 resident by reason of being a member of any component  
10 of the Armed Forces of the United States and in respect  
11 of any compensation paid or accrued to a resident who  
12 as a governmental employee was a prisoner of war or  
13 missing in action, and in respect of any compensation  
14 paid to a resident in 2001 or thereafter by reason of  
15 being a member of the Illinois National Guard or,  
16 beginning with taxable years ending on or after  
17 December 31, 2007, the National Guard of any other  
18 state. The provisions of this amendatory Act of the  
19 92nd General Assembly are exempt from the provisions of  
20 Section 250;

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

1 agency or unit, or retirement payments to retired  
2 partners, which payments are excluded in computing net  
3 earnings from self employment by Section 1402 of the  
4 Internal Revenue Code and regulations adopted pursuant  
5 thereto;

6 (G) The valuation limitation amount;

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

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

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

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

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

13 (M) With the exception of any amounts subtracted  
14 under subparagraph (N), an amount equal to the sum of  
15 all amounts disallowed as deductions by (i) Sections  
16 171(a) (2), and 265(2) of the Internal Revenue Code of  
17 1954, 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 (N) An amount equal to all amounts included in such

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

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

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

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

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

24 (S) An amount, to the extent included in adjusted  
25 gross income, equal to the amount of a contribution  
26 made in the taxable year on behalf of the taxpayer to a

1 medical care savings account established under the  
2 Medical Care Savings Account Act or the Medical Care  
3 Savings Account Act of 2000 to the extent the  
4 contribution is accepted by the account administrator  
5 as provided in that Act;

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

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

19 (V) Beginning with tax years ending on or after  
20 December 31, 1995 and ending with tax years ending on  
21 or before December 31, 2004, an amount equal to the  
22 amount paid by a taxpayer who is a self-employed  
23 taxpayer, a partner of a partnership, or a shareholder  
24 in a Subchapter S corporation for health insurance or  
25 long-term care insurance for that taxpayer or that  
26 taxpayer's spouse or dependents, to the extent that the



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

20 (W) For taxable years beginning on or after January  
21 1, 1998, all amounts included in the taxpayer's federal  
22 gross income in the taxable year from amounts converted  
23 from a regular IRA to a Roth IRA. This paragraph is  
24 exempt from the provisions of Section 250;

25 (X) For taxable year 1999 and thereafter, an amount  
26 equal to the amount of any (i) distributions, to the

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

1 public assistance, benefit, or similar entitlement is  
2 not affected by the inclusion of items (i) and (ii) of  
3 this paragraph in gross income for federal income tax  
4 purposes. This paragraph is exempt from the provisions  
5 of Section 250;

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

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

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

14           (2) for taxable years ending on or before  
15 December 31, 2005, "x" equals "y" multiplied by 30  
16 and then divided by 70 (or "y" multiplied by  
17 0.429); and

18           (3) for taxable years ending after December  
19 31, 2005:

20           (i) for property on which a bonus  
21 depreciation deduction of 30% of the adjusted  
22 basis was taken, "x" equals "y" multiplied by  
23 30 and then divided by 70 (or "y" multiplied by  
24 0.429); and

25           (ii) for property on which a bonus  
26 depreciation deduction of 50% of the adjusted

1 basis was taken, "x" equals "y" multiplied by  
2 1.0.

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

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

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

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

26 This subparagraph (AA) is exempt from the

1 provisions of Section 250;

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

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

22 (DD) 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(a)(2)(D-17) for  
13 interest paid, accrued, or incurred, directly or  
14 indirectly, to the same person. This subparagraph (DD)  
15 is exempt from the provisions of Section 250; ~~and~~

16 (EE) 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(a)(2)(D-18) for  
7 intangible expenses and costs paid, accrued, or  
8 incurred, directly or indirectly, to the same foreign  
9 person. This subparagraph (EE) is exempt from the  
10 provisions of Section 250; and -

11 (FF) For taxable years beginning on or after  
12 January 1, 2010, an amount equal to the amount  
13 contributed by the taxpayer during the taxable year to  
14 a Home Savings Pool account under Section 17.10 of the  
15 State Treasurer Act, but not to exceed \$20,000 per  
16 taxable year. This subparagraph (FF) is exempt from the  
17 provisions of Section 250.

18 (b) Corporations.

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

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

25 (A) An amount equal to all amounts paid or accrued



1 to the taxpayer as interest and all distributions  
2 received from regulated investment companies during  
3 the taxable year to the extent excluded from gross  
4 income in the computation of taxable income;

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

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

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

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

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

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

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

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

26 (E-5) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation costs  
2 that the corporation deducted in computing adjusted  
3 gross income and for which the corporation claims a  
4 credit under subsection (l) of Section 201;

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

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

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

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

1 (E-12) An amount equal to the amount otherwise  
2 allowed as a deduction in computing base income for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, (i) for taxable years ending on or after  
5 December 31, 2004, to a foreign person who would be a  
6 member of the same unitary business group but for the  
7 fact the foreign person's business activity outside  
8 the United States is 80% or more of the foreign  
9 person's total business activity and (ii) for taxable  
10 years ending on or after December 31, 2008, to a person  
11 who would be a member of the same unitary business  
12 group but for the fact that the person is prohibited  
13 under Section 1501(a)(27) from being included in the  
14 unitary business group because he or she is ordinarily  
15 required to apportion business income under different  
16 subsections of Section 304. The addition modification  
17 required by this subparagraph shall be reduced to the  
18 extent that dividends were included in base income of  
19 the unitary group for the same taxable year and  
20 received by the taxpayer or by a member of the  
21 taxpayer's unitary business group (including amounts  
22 included in gross income pursuant to Sections 951  
23 through 964 of the Internal Revenue Code and amounts  
24 included in gross income under Section 78 of the  
25 Internal Revenue Code) with respect to the stock of the  
26 same person to whom the interest was paid, accrued, or

1 incurred.

2 This paragraph shall not apply to the following:

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

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

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

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

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

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

4 (iv) an item of interest paid, accrued, or  
5 incurred, directly or indirectly, to a person if  
6 the taxpayer establishes by clear and convincing  
7 evidence that the adjustments are unreasonable; or  
8 if the taxpayer and the Director agree in writing  
9 to the application or use of an alternative method  
10 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-13) An amount equal to the amount of intangible  
21 expenses and costs otherwise allowed as a deduction in  
22 computing base income, and that were paid, accrued, or  
23 incurred, directly or indirectly, (i) for taxable  
24 years ending on or after December 31, 2004, to a  
25 foreign person who would be a member of the same  
26 unitary business group but for the fact that the

1 foreign person's business activity outside the United  
2 States is 80% or more of that person's total business  
3 activity and (ii) for taxable years ending on or after  
4 December 31, 2008, to a person who would be a member of  
5 the same unitary business group but for the fact that  
6 the person is prohibited under Section 1501(a)(27)  
7 from being included in the unitary business group  
8 because he or she is ordinarily required to apportion  
9 business income under different subsections of Section  
10 304. The addition modification required by this  
11 subparagraph shall be reduced to the extent that  
12 dividends were included in base income of the unitary  
13 group for the same taxable year and received by the  
14 taxpayer or by a member of the taxpayer's unitary  
15 business group (including amounts included in gross  
16 income pursuant to Sections 951 through 964 of the  
17 Internal Revenue Code and amounts included in gross  
18 income under Section 78 of the Internal Revenue Code)  
19 with respect to the stock of the same person to whom  
20 the intangible expenses and costs were directly or  
21 indirectly paid, incurred, or accrued. The preceding  
22 sentence shall not apply to the extent that the same  
23 dividends caused a reduction to the addition  
24 modification required under Section 203(b)(2)(E-12) of  
25 this Act. As used in this subparagraph, the term  
26 "intangible expenses and costs" includes (1) expenses,

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

13 This paragraph shall not apply to the following:

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

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

26 (a) the person during the same taxable



1 year paid, accrued, or incurred, the  
2 intangible expense or cost to a person that is  
3 not a related member, and

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

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

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

1           under Section 404 of this Act;

2           (E-14) For taxable years ending on or after  
3           December 31, 2008, an amount equal to the amount of  
4           insurance premium expenses and costs otherwise allowed  
5           as a deduction in computing base income, and that were  
6           paid, accrued, or incurred, directly or indirectly, to  
7           a person who would be a member of the same unitary  
8           business group but for the fact that the person is  
9           prohibited under Section 1501(a)(27) from being  
10          included in the unitary business group because he or  
11          she is ordinarily required to apportion business  
12          income under different subsections of Section 304. The  
13          addition modification required by this subparagraph  
14          shall be reduced to the extent that dividends were  
15          included in base income of the unitary group for the  
16          same taxable year and received by the taxpayer or by a  
17          member of the taxpayer's unitary business group  
18          (including amounts included in gross income under  
19          Sections 951 through 964 of the Internal Revenue Code  
20          and amounts included in gross income under Section 78  
21          of the Internal Revenue Code) with respect to the stock  
22          of the same person to whom the premiums and costs were  
23          directly or indirectly paid, incurred, or accrued. The  
24          preceding sentence does not apply to the extent that  
25          the same dividends caused a reduction to the addition  
26          modification required under Section 203(b)(2)(E-12) or

1 Section 203(b) (2) (E-13) of this Act;

2 (E-15) For taxable years beginning after December  
3 31, 2008, any deduction for dividends paid by a captive  
4 real estate investment trust that is allowed to a real  
5 estate investment trust under Section 857(b) (2) (B) of  
6 the Internal Revenue Code for dividends paid;

7 (E-16) An amount equal to the credit allowable to  
8 the taxpayer under Section 218(a) of this Act,  
9 determined without regard to Section 218(c) of this  
10 Act;

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

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

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

18 (H) In the case of a regulated investment company,  
19 an amount equal to the amount of exempt interest  
20 dividends as defined in subsection (b) (5) of Section  
21 852 of the Internal Revenue Code, paid to shareholders  
22 for the taxable year;

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

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

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

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

1 Zone or zones or a River Edge Redevelopment Zone or  
2 zones. This subparagraph (K) is exempt from the  
3 provisions of Section 250;

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

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

1           this purpose the original basis of such property on the  
2           date that it was placed in service in the Enterprise  
3           Zone or the River Edge Redevelopment Zone. The  
4           subtraction modification available to taxpayer in any  
5           year under this subsection shall be that portion of the  
6           total interest paid by the borrower with respect to  
7           such loan attributable to the eligible property as  
8           calculated under the previous sentence. This  
9           subparagraph (M) is exempt from the provisions of  
10          Section 250;

11           (M-1) For any taxpayer that is a financial  
12          organization within the meaning of Section 304(c) of  
13          this Act, an amount included in such total as interest  
14          income from a loan or loans made by such taxpayer to a  
15          borrower, to the extent that such a loan is secured by  
16          property which is eligible for the High Impact Business  
17          Investment Credit. To determine the portion of a loan  
18          or loans that is secured by property eligible for a  
19          Section 201(h) investment credit to the borrower, the  
20          entire principal amount of the loan or loans between  
21          the taxpayer and the borrower should be divided into  
22          the basis of the Section 201(h) investment credit  
23          property which secures the loan or loans, using for  
24          this purpose the original basis of such property on the  
25          date that it was placed in service in a federally  
26          designated Foreign Trade Zone or Sub-Zone located in

1 Illinois. No taxpayer that is eligible for the  
2 deduction provided in subparagraph (M) of paragraph  
3 (2) of this subsection shall be eligible for the  
4 deduction provided under this subparagraph (M-1). The  
5 subtraction modification available to taxpayers in any  
6 year under this subsection shall be that portion of the  
7 total interest paid by the borrower with respect to  
8 such loan attributable to the eligible property as  
9 calculated under the previous sentence;

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

21 (O) An amount equal to: (i) 85% for taxable years  
22 ending on or before December 31, 1992, or, a percentage  
23 equal to the percentage allowable under Section  
24 243(a)(1) of the Internal Revenue Code of 1986 for  
25 taxable years ending after December 31, 1992, of the  
26 amount by which dividends included in taxable income

1 and received from a corporation that is not created or  
2 organized under the laws of the United States or any  
3 state or political subdivision thereof, including, for  
4 taxable years ending on or after December 31, 1988,  
5 dividends received or deemed received or paid or deemed  
6 paid under Sections 951 through 964 of the Internal  
7 Revenue Code, exceed the amount of the modification  
8 provided under subparagraph (G) of paragraph (2) of  
9 this subsection (b) which is related to such dividends,  
10 and including, for taxable years ending on or after  
11 December 31, 2008, dividends received from a captive  
12 real estate investment trust; plus (ii) 100% of the  
13 amount by which dividends, included in taxable income  
14 and received, including, for taxable years ending on or  
15 after December 31, 1988, dividends received or deemed  
16 received or paid or deemed paid under Sections 951  
17 through 964 of the Internal Revenue Code and including,  
18 for taxable years ending on or after December 31, 2008,  
19 dividends received from a captive real estate  
20 investment trust, from any such corporation specified  
21 in clause (i) that would but for the provisions of  
22 Section 1504 (b) (3) of the Internal Revenue Code be  
23 treated as a member of the affiliated group which  
24 includes the dividend recipient, exceed the amount of  
25 the modification provided under subparagraph (G) of  
26 paragraph (2) of this subsection (b) which is related



1 to such dividends. This subparagraph (O) is exempt from  
2 the provisions of Section 250 of this Act;

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

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

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

24 (S) For taxable years ending on or after December  
25 31, 1997, in the case of a Subchapter S corporation, an  
26 amount equal to all amounts of income allocable to a

1           shareholder subject to the Personal Property Tax  
2           Replacement Income Tax imposed by subsections (c) and  
3           (d) of Section 201 of this Act, including amounts  
4           allocable to organizations exempt from federal income  
5           tax by reason of Section 501(a) of the Internal Revenue  
6           Code. This subparagraph (S) is exempt from the  
7           provisions of Section 250;

8           (T) 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 (T) is exempt from the provisions of  
17 Section 250;

18 (U) 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 (E-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 (E-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 (U) is exempt from the  
8 provisions of Section 250;

9 (V) 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, (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, and (iii) any insurance premium  
25 income (net of deductions allocable thereto) taken  
26 into account for the taxable year with respect to a

1 transaction with a taxpayer that is required to make an  
2 addition modification with respect to such transaction  
3 under Section 203(a)(2)(D-19), Section  
4 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
5 203(d)(2)(D-9), but not to exceed the amount of that  
6 addition modification. This subparagraph (V) is exempt  
7 from the provisions of Section 250;

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

1 is exempt from the provisions of Section 250; and

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

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

1 (c) Trusts and estates.

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

5 (2) Modifications. Subject to the provisions of  
6 paragraph (3), the taxable income referred to in paragraph  
7 (1) shall be modified by adding thereto the sum of the  
8 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) In the case of (i) an estate, \$600; (ii) a  
14 trust which, under its governing instrument, is  
15 required to distribute all of its income currently,  
16 \$300; and (iii) any other trust, \$100, but in each such  
17 case, only to the extent such amount was deducted in  
18 the computation of taxable income;

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

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

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

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

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

24           For taxable years in which there is a net operating  
25 loss carryback or carryforward from more than one other  
26 taxable year ending prior to December 31, 1986, the



1 addition modification provided in this subparagraph  
2 (E) shall be the sum of the amounts computed  
3 independently under the preceding provisions of this  
4 subparagraph (E) for each such taxable year;

5 (F) For taxable years ending on or after January 1,  
6 1989, an amount equal to the tax deducted pursuant to  
7 Section 164 of the Internal Revenue Code if the trust  
8 or estate is claiming the same tax for purposes of the  
9 Illinois foreign tax credit under Section 601 of this  
10 Act;

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

15 (G-5) For taxable years ending after December 31,  
16 1997, an amount equal to any eligible remediation costs  
17 that the trust or estate deducted in computing adjusted  
18 gross income and for which the trust or estate claims a  
19 credit under subsection (l) of Section 201;

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

25 (G-11) If the taxpayer sells, transfers, abandons,  
26 or otherwise disposes of property for which the

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

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

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

16 (G-12) An amount equal to the amount otherwise  
17 allowed as a deduction in computing base income for  
18 interest paid, accrued, or incurred, directly or  
19 indirectly, (i) for taxable years ending on or after  
20 December 31, 2004, to a foreign person who would be a  
21 member of the same unitary business group but for the  
22 fact that the foreign person's business activity  
23 outside the United States is 80% or more of the foreign  
24 person's total business activity and (ii) for taxable  
25 years ending on or after December 31, 2008, to a person  
26 who would be a member of the same unitary business

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

17 This paragraph shall not apply to the following:

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

24 (ii) an item of interest paid, accrued, or  
25 incurred, directly or indirectly, to a person if  
26 the taxpayer can establish, based on a

1           preponderance of the evidence, both of the  
2           following:

3                   (a) the person, during the same taxable  
4                   year, paid, accrued, or incurred, the interest  
5                   to a person that is not a related member, and

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

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

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

26                  Nothing in this subsection shall preclude the

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

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

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

1 trade secrets, and similar types of intangible assets.

2 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) any item of intangible expense or cost

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

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

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



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

17 (G-15) An amount equal to the credit allowable to  
18 the taxpayer under Section 218(a) of this Act,  
19 determined without regard to Section 218(c) of this  
20 Act;

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

23 (H) An amount equal to all amounts included in such  
24 total pursuant to the provisions of Sections 402(a),  
25 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
26 Internal Revenue Code or included in such total as

1 distributions under the provisions of any retirement  
2 or disability plan for employees of any governmental  
3 agency or unit, or retirement payments to retired  
4 partners, which payments are excluded in computing net  
5 earnings from self employment by Section 1402 of the  
6 Internal Revenue Code and regulations adopted pursuant  
7 thereto;

8 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

24 (1) "y" equals the amount of the depreciation  
25 deduction taken for the taxable year on the  
26 taxpayer's federal income tax return on property

1 for which the bonus depreciation deduction was  
2 taken in any year under subsection (k) of Section  
3 168 of the Internal Revenue Code, but not including  
4 the bonus depreciation deduction;

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

9 (3) for taxable years ending after December  
10 31, 2005:

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

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

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

1 Section 250;

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

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

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

17 This subparagraph (S) is exempt from the  
18 provisions of Section 250;

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

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

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



1 interest paid, accrued, or incurred, directly or  
2 indirectly, to the same person. This subparagraph (U)  
3 is exempt from the provisions of Section 250; and

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

25 (3) Limitation. The amount of any modification  
26 otherwise required under this subsection shall, under

1 regulations prescribed by the Department, be adjusted by  
2 any amounts included therein which were properly paid,  
3 credited, or required to be distributed, or permanently set  
4 aside for charitable purposes pursuant to Internal Revenue  
5 Code Section 642(c) during the taxable year.

6 (d) Partnerships.

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

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

13 (A) An amount equal to all amounts paid or accrued  
14 to the taxpayer as interest or dividends during the  
15 taxable year to the extent excluded from gross income  
16 in the computation of taxable income;

17 (B) An amount equal to the amount of tax imposed by  
18 this Act to the extent deducted from gross income for  
19 the taxable year;

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

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

1 computation of taxable income;

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

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

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

21 The taxpayer is required to make the addition  
22 modification under this subparagraph only once with  
23 respect to any one piece of property;

24 (D-7) An amount equal to the amount otherwise  
25 allowed as a deduction in computing base income for  
26 interest paid, accrued, or incurred, directly or

1 indirectly, (i) for taxable years ending on or after  
2 December 31, 2004, to a foreign person who would be a  
3 member of the same unitary business group but for the  
4 fact the foreign person's business activity outside  
5 the United States is 80% or more of the foreign  
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. The addition modification  
14 required by this subparagraph shall be reduced to the  
15 extent that dividends were included in base income of  
16 the unitary group for the same taxable year and  
17 received by the taxpayer or by a member of the  
18 taxpayer's unitary business group (including amounts  
19 included in gross income pursuant to Sections 951  
20 through 964 of the Internal Revenue Code and amounts  
21 included in gross income under Section 78 of the  
22 Internal Revenue Code) with respect to the stock of the  
23 same person to whom the interest was paid, accrued, or  
24 incurred.

25 This paragraph shall not apply to the following:

26 (i) an item of interest paid, accrued, or

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

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

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

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

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

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

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

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

1 December 31, 2008, to a person who would be a member of  
2 the same unitary business group but for the fact that  
3 the person is prohibited under Section 1501(a)(27)  
4 from being included in the unitary business group  
5 because he or she is ordinarily required to apportion  
6 business income under different subsections of Section  
7 304. The addition modification required by this  
8 subparagraph shall be reduced to the extent that  
9 dividends were included in base income of the unitary  
10 group for the same taxable year and received by the  
11 taxpayer or by a member of the taxpayer's unitary  
12 business group (including amounts included in gross  
13 income pursuant to Sections 951 through 964 of the  
14 Internal Revenue Code and amounts included in gross  
15 income under Section 78 of the Internal Revenue Code)  
16 with respect to the stock of the same person to whom  
17 the intangible expenses and costs were directly or  
18 indirectly paid, incurred or accrued. The preceding  
19 sentence shall not apply to the extent that the same  
20 dividends caused a reduction to the addition  
21 modification required under Section 203(d)(2)(D-7) of  
22 this Act. As used in this subparagraph, the term  
23 "intangible expenses and costs" includes (1) expenses,  
24 losses, and costs for, or related to, the direct or  
25 indirect acquisition, use, maintenance or management,  
26 ownership, sale, exchange, or any other disposition of

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

10 This paragraph shall not apply to the following:

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

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

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



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

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

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

25 (D-9) For taxable years ending on or after December  
26 31, 2008, an amount equal to the amount of insurance

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

25 (D-10) An amount equal to the credit allowable to  
26 the taxpayer under Section 218(a) of this Act,

1           determined without regard to Section 218(c) of this  
2           Act;

3           and by deducting from the total so obtained the following  
4           amounts:

5                   (E) The valuation limitation amount;

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

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

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

25                   (I) An amount equal to all amounts of income  
26                   distributable to an entity subject to the Personal

1 Property Tax Replacement Income Tax imposed by  
2 subsections (c) and (d) of Section 201 of this Act  
3 including amounts distributable to organizations  
4 exempt from federal income tax by reason of Section  
5 501(a) of the Internal Revenue Code, provided that the  
6 deduction under this subparagraph (I) shall not be  
7 allowed to a publicly traded partnership under Section  
8 7704 of the Internal Revenue Code for any taxable year  
9 ending on or after December 31, 2009;

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

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

1 enacted by the 82nd General Assembly, or a River Edge  
2 Redevelopment Zone or zones created under the River  
3 Edge Redevelopment Zone Act and conducts substantially  
4 all of its operations in an Enterprise Zone or Zones or  
5 from a River Edge Redevelopment Zone or zones. This  
6 subparagraph (K) is exempt from the provisions of  
7 Section 250;

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

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

20 (N) 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 (O) For taxable years 2001 and thereafter, for the  
26 taxable year in which the bonus depreciation deduction

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

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

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

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

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

23 (ii) for property on which a bonus  
24 depreciation deduction of 50% of the adjusted  
25 basis was taken, "x" equals "y" multiplied by  
26 1.0.

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

9           (P) If the taxpayer sells, transfers, abandons, or  
10          otherwise disposes of property for which the taxpayer  
11          was required in any taxable year to make an addition  
12          modification under subparagraph (D-5), then an amount  
13          equal to that addition modification.

14          If the taxpayer continues to own property through  
15          the last day of the last tax year for which the  
16          taxpayer may claim a depreciation deduction for  
17          federal income tax purposes and for which the taxpayer  
18          was required in any taxable year to make an addition  
19          modification under subparagraph (D-5), then an amount  
20          equal to that addition modification.

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

24          This subparagraph (P) is exempt from the  
25          provisions of Section 250;

26          (Q) The amount of (i) any interest income (net of

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

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



1 group but for the fact that the person is prohibited  
2 under Section 1501(a)(27) from being included in the  
3 unitary business group because he or she is ordinarily  
4 required to apportion business income under different  
5 subsections of Section 304, but not to exceed the  
6 addition modification required to be made for the same  
7 taxable year under Section 203(d)(2)(D-7) for interest  
8 paid, accrued, or incurred, directly or indirectly, to  
9 the same person. This subparagraph (R) is exempt from  
10 Section 250; and

11 (S) An amount equal to the income from intangible  
12 property taken into account for the taxable year (net  
13 of the deductions allocable thereto) with respect to  
14 transactions with (i) a foreign person who would be a  
15 member of the taxpayer's unitary business group but for  
16 the fact that the foreign person's business activity  
17 outside the United States is 80% or more of that  
18 person's total business activity 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, but not to exceed the  
26 addition modification required to be made for the same

1 taxable year under Section 203(d)(2)(D-8) for  
2 intangible expenses and costs paid, accrued, or  
3 incurred, directly or indirectly, to the same person.  
4 This subparagraph (S) is exempt from Section 250.

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

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

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

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

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

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

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

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

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

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

26 (G) Subchapter S corporations. In the case of: (i)

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

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

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

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

14 (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

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

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

18 (Source: P.A. 95-23, eff. 8-3-07; 95-233, eff. 8-16-07; 95-286,  
19 eff. 8-20-07; 95-331, eff. 8-21-07; 95-707, eff. 1-11-08;  
20 95-876, eff. 8-21-08; 96-45, eff. 7-15-09; 96-120, eff. 8-4-09;  
21 96-198, eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff.  
22 8-14-09; 96-835, eff. 12-16-09.)

23 Section 99. Effective date. This Act takes effect upon  
24 becoming law.