

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 Illinois Income Tax Act is amended by  
5 changing Section 203 and by adding Section 218 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

1           this Act to the extent deducted from gross income in  
2           the computation of adjusted gross income for the  
3           taxable year;

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

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

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22          withdrawn by the taxpayer in the taxable year from a  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

1           20 of the Medical Care Savings Account Act of 2000;

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

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

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

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

26          The taxpayer is required to make the addition

1 modification under this subparagraph only once with  
2 respect to any one piece of property;

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

1 Code) with respect to the stock of the same person to  
2 whom the interest was paid, accrued, or incurred.

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

14 This paragraph shall not apply to the following:

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

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



1           (a) the person during the same taxable  
2           year paid, accrued, or incurred, the  
3           intangible expense or cost to a person that is  
4           not a related member, and

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

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

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

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

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

1 modification required under Section 203(a)(2)(D-17) or  
2 Section 203(a)(2)(D-18) of this Act.

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

1 inform financial intermediaries distributing the  
2 program to inform in-state residents of the existence  
3 of in-state qualified tuition programs at least  
4 annually, an amount equal to the amount excluded from  
5 gross income under Section 529(c)(3)(B).

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

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

25 (D-22) 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 sum of the  
4           following amounts:

5                   (E) For taxable years ending before December 31,  
6                   2001, any amount included in such total in respect of  
7                   any compensation (including but not limited to any  
8                   compensation paid or accrued to a serviceman while a  
9                   prisoner of war or missing in action) paid to a  
10                   resident by reason of being on active duty in the Armed  
11                   Forces of the United States and in respect of any  
12                   compensation paid or accrued to a resident who as a  
13                   governmental employee was a prisoner of war or missing  
14                   in action, and in respect of any compensation paid to a  
15                   resident in 1971 or thereafter for annual training  
16                   performed pursuant to Sections 502 and 503, Title 32,  
17                   United States Code as a member of the Illinois National  
18                   Guard or, beginning with taxable years ending on or  
19                   after December 31, 2007, the National Guard of any  
20                   other state. For taxable years ending on or after  
21                   December 31, 2001, any amount included in such total in  
22                   respect of any compensation (including but not limited  
23                   to any compensation paid or accrued to a serviceman  
24                   while a prisoner of war or missing in action) paid to a  
25                   resident by reason of being a member of any component  
26                   of the Armed Forces of the United States and in respect

1 of any compensation paid or accrued to a resident who  
2 as a governmental employee was a prisoner of war or  
3 missing in action, and in respect of any compensation  
4 paid to a resident in 2001 or thereafter by reason of  
5 being a member of the Illinois National Guard or,  
6 beginning with taxable years ending on or after  
7 December 31, 2007, the National Guard of any other  
8 state. The provisions of this amendatory Act of the  
9 92nd General Assembly are exempt from the provisions of  
10 Section 250;

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

22 (G) The valuation limitation amount;

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

26 (I) An amount equal to all amounts included in such

1 total pursuant to the provisions of Section 111 of the  
2 Internal Revenue Code as a recovery of items previously  
3 deducted from adjusted gross income in the computation  
4 of taxable income;

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

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

24 (L) For taxable years ending after December 31,  
25 1983, an amount equal to all social security benefits  
26 and railroad retirement benefits included in such

1 total pursuant to Sections 72(r) and 86 of the Internal  
2 Revenue Code;

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

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

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



1 Increment Allocation Redevelopment Act;

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

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

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

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

22 (T) An amount, to the extent included in adjusted  
23 gross income, equal to the amount of interest earned in  
24 the taxable year on a medical care savings account  
25 established under the Medical Care Savings Account Act  
26 or the Medical Care Savings Account Act of 2000 on

1           behalf of the taxpayer, other than interest added  
2           pursuant to item (D-5) of this paragraph (2);

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

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

1 employer of the taxpayer or the taxpayer's spouse. The  
2 amount of the health insurance and long-term care  
3 insurance subtracted under this item (V) shall be  
4 determined by multiplying total health insurance and  
5 long-term care insurance premiums paid by the taxpayer  
6 times a number that represents the fractional  
7 percentage of eligible medical expenses under Section  
8 213 of the Internal Revenue Code of 1986 not actually  
9 deducted on the taxpayer's federal income tax return;

10 (W) For taxable years beginning on or after January  
11 1, 1998, all amounts included in the taxpayer's federal  
12 gross income in the taxable year from amounts converted  
13 from a regular IRA to a Roth IRA. This paragraph is  
14 exempt from the provisions of Section 250;

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

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

22 (Y) For taxable years beginning on or after January  
23 1, 2002 and ending on or before December 31, 2004,  
24 moneys contributed in the taxable year to a College  
25 Savings Pool account under Section 16.5 of the State  
26 Treasurer Act, except that amounts excluded from gross

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

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

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

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

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

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

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

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

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

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

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 required in any taxable year to make an addition  
11          modification under subparagraph (D-15), then an amount  
12          equal to that addition modification.

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

16          This subparagraph (AA) is exempt from the  
17          provisions of Section 250;

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

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

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

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



1 addition modification required to be made for the same  
2 taxable year under Section 203(a)(2)(D-17) for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, to the same person. This subparagraph (DD)  
5 is exempt from the provisions of Section 250; and

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

1 (b) Corporations.

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

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

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

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

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

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

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

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

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

1           such carryback or carryforward;

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

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

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

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

26          If the taxpayer continues to own property through

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

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

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

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

11 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

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

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

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



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

22 This paragraph shall not apply to the following:

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

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

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

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

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

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

1 method of apportionment under Section 304(f);

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

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

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

11 (E-15) For taxable years beginning after December  
12 31, 2008, any deduction for dividends paid by a captive  
13 real estate investment trust that is allowed to a real  
14 estate investment trust under Section 857(b) (2) (B) of  
15 the Internal Revenue Code for dividends paid;

16 (E-16) An amount equal to the credit allowable to  
17 the taxpayer under Section 218(a) of this Act,  
18 determined without regard to Section 218(c) of this  
19 Act.

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

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

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

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

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

20          (J) An amount equal to all amounts included in such  
21          total which are exempt from taxation by this State  
22          either by reason of its statutes or Constitution or by  
23          reason of the Constitution, treaties or statutes of the  
24          United States; provided that, in the case of any  
25          statute of this State that exempts income derived from  
26          bonds or other obligations from the tax imposed under

1           this Act, the amount exempted shall be the interest net  
2           of bond premium amortization;

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

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

22          (M) For any taxpayer that is a financial  
23          organization within the meaning of Section 304(c) of  
24          this Act, an amount included in such total as interest  
25          income from a loan or loans made by such taxpayer to a  
26          borrower, to the extent that such a loan is secured by

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

20 (M-1) For any taxpayer that is a financial  
21 organization within the meaning of Section 304(c) of  
22 this Act, an amount included in such total as interest  
23 income from a loan or loans made by such taxpayer to a  
24 borrower, to the extent that such a loan is secured by  
25 property which is eligible for the High Impact Business  
26 Investment Credit. To determine the portion of a loan

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

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



1 Section 10-10 of the River Edge Redevelopment Zone Act.  
2 This subparagraph (N) is exempt from the provisions of  
3 Section 250;

4 (O) An amount equal to: (i) 85% for taxable years  
5 ending on or before December 31, 1992, or, a percentage  
6 equal to the percentage allowable under Section  
7 243(a)(1) of the Internal Revenue Code of 1986 for  
8 taxable years ending after December 31, 1992, of the  
9 amount by which dividends included in taxable income  
10 and received from a corporation that is not created or  
11 organized under the laws of the United States or any  
12 state or political subdivision thereof, including, for  
13 taxable years ending on or after December 31, 1988,  
14 dividends received or deemed received or paid or deemed  
15 paid under Sections 951 through 964 of the Internal  
16 Revenue Code, exceed the amount of the modification  
17 provided under subparagraph (G) of paragraph (2) of  
18 this subsection (b) which is related to such dividends,  
19 and including, for taxable years ending on or after  
20 December 31, 2008, dividends received from a captive  
21 real estate investment trust; plus (ii) 100% of the  
22 amount by which dividends, included in taxable income  
23 and received, including, for taxable years ending on or  
24 after December 31, 1988, dividends received or deemed  
25 received or paid or deemed paid under Sections 951  
26 through 964 of the Internal Revenue Code and including,

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

12           (P) An amount equal to any contribution made to a  
13          job training project established pursuant to the Tax  
14          Increment Allocation Redevelopment Act;

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

20           (R) On and after July 20, 1999, in the case of an  
21          attorney-in-fact with respect to whom an interinsurer  
22          or a reciprocal insurer has made the election under  
23          Section 835 of the Internal Revenue Code, 26 U.S.C.  
24          835, an amount equal to the excess, if any, of the  
25          amounts paid or incurred by that interinsurer or  
26          reciprocal insurer in the taxable year to the

1 attorney-in-fact over the deduction allowed to that  
2 interinsurer or reciprocal insurer with respect to the  
3 attorney-in-fact under Section 835(b) of the Internal  
4 Revenue Code for the taxable year; the provisions of  
5 this subparagraph are exempt from the provisions of  
6 Section 250;

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

17 (T) For taxable years 2001 and thereafter, for the  
18 taxable year in which the bonus depreciation deduction  
19 is taken on the taxpayer's federal income tax return  
20 under subsection (k) of Section 168 of the Internal  
21 Revenue Code and for each applicable taxable year  
22 thereafter, an amount equal to "x", where:

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

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

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

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

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

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

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

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

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 required in any taxable year to make an addition  
11 modification under subparagraph (E-10), then an amount  
12 equal to that addition modification.

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

16           This subparagraph (U) is exempt from the  
17 provisions of Section 250;

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

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

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

1 group but for the fact that the person is prohibited  
2 under Section 1501(a)(27) from being included in the  
3 unitary business group because he or she is ordinarily  
4 required to apportion business income under different  
5 subsections of Section 304, but not to exceed the  
6 addition modification required to be made for the same  
7 taxable year under Section 203(b)(2)(E-12) for  
8 interest paid, accrued, or incurred, directly or  
9 indirectly, to the same person. This subparagraph (W)  
10 is exempt from the provisions of Section 250; and

11 (X) 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(b)(2)(E-13) for  
2 intangible expenses and costs paid, accrued, or  
3 incurred, directly or indirectly, to the same foreign  
4 person. This subparagraph (X) is exempt from the  
5 provisions of Section 250. ~~(Y)~~

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

10 (c) Trusts and estates.

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

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

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

22 (B) In the case of (i) an estate, \$600; (ii) a  
23 trust which, under its governing instrument, is  
24 required to distribute all of its income currently,  
25 \$300; and (iii) any other trust, \$100, but in each such



1 case, only to the extent such amount was deducted in  
2 the computation of taxable income;

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

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

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

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

1 income of an earlier taxable year, and

2 (ii) the addition modification relating to the  
3 net operating loss carried back or forward to the  
4 taxable year from any taxable year ending prior to  
5 December 31, 1986 shall not exceed the amount of  
6 such carryback or carryforward;

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

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

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

24 (G-5) For taxable years ending after December 31,  
25 1997, an amount equal to any eligible remediation costs  
26 that the trust or estate deducted in computing adjusted

1 gross income and for which the trust or estate claims a  
2 credit under subsection (l) of Section 201;

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

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

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

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

25 (G-12) An amount equal to the amount otherwise  
26 allowed as a deduction in computing base income for

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

26 This paragraph shall not apply to the following:

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

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

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

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

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

1 not federal or Illinois tax avoidance; or  
2 (iv) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a person if  
4 the taxpayer establishes by clear and convincing  
5 evidence that the adjustments are unreasonable; or  
6 if the taxpayer and the Director agree in writing  
7 to the application or use of an alternative method  
8 of apportionment under Section 304(f).

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

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

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

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

11 This paragraph shall not apply to the following:

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

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

24 (a) the person during the same taxable  
25 year paid, accrued, or incurred, the  
26 intangible expense or cost to a person that is



1 not a related member, and

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

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

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

26 (G-14) For taxable years ending on or after

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

26 (G-15) An amount equal to the credit allowable to

1           the taxpayer under Section 218(a) of this Act,  
2           determined without regard to Section 218(c) of this  
3           Act.

4           and by deducting from the total so obtained the sum of the  
5           following amounts:

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

17                   (I) The valuation limitation amount;

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

21                   (K) An amount equal to all amounts included in  
22                   taxable income as modified by subparagraphs (A), (B),  
23                   (C), (D), (E), (F) and (G) which are exempt from  
24                   taxation by this State either by reason of its statutes  
25                   or Constitution or by reason of the Constitution,  
26                   treaties or statutes of the United States; provided

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

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

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

1           zones. This subparagraph (M) is exempt from the  
2           provisions of Section 250;

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

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

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

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

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

1 (R) 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 provisions of Section 250;

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

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

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

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

1 subsections of Section 304, but not to exceed the  
2 addition modification required to be made for the same  
3 taxable year under Section 203(c)(2)(G-13) for  
4 intangible expenses and costs paid, accrued, or  
5 incurred, directly or indirectly, to the same foreign  
6 person. This subparagraph (V) is exempt from the  
7 provisions of Section 250. ~~(W)~~

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

15 (d) Partnerships.

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

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

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

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

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

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

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

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

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

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

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

7           (D-7) An amount equal to the amount otherwise  
8           allowed as a deduction in computing base income for  
9           interest paid, accrued, or incurred, directly or  
10          indirectly, (i) for taxable years ending on or after  
11          December 31, 2004, to a foreign person who would be a  
12          member of the same unitary business group but for the  
13          fact the foreign person's business activity outside  
14          the United States is 80% or more of the foreign  
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. The addition modification  
23          required by this subparagraph shall be reduced to the  
24          extent that dividends were included in base income of  
25          the unitary group for the same taxable year and  
26          received by the taxpayer or by a member of the

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

8 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

26          (D-8) An amount equal to the amount of intangible

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



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

19 This paragraph shall not apply to the following:

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

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

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

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

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

25           Nothing in this subsection shall preclude the  
26           Director from making any other adjustment

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

8 (D-9) For taxable years ending on or after December  
9 31, 2008, an amount equal to the amount of insurance  
10 premium expenses and costs otherwise allowed as a  
11 deduction in computing base income, and that were paid,  
12 accrued, or incurred, directly or indirectly, to a  
13 person who would be a member of the same unitary  
14 business group but for the fact that the person is  
15 prohibited under Section 1501(a)(27) from being  
16 included in the unitary business group because he or  
17 she is ordinarily required to apportion business  
18 income under different subsections of Section 304. The  
19 addition modification required by this subparagraph  
20 shall be reduced to the extent that dividends were  
21 included in base income of the unitary group for the  
22 same taxable year and received by the taxpayer or by a  
23 member of the taxpayer's unitary business group  
24 (including amounts included in gross income under  
25 Sections 951 through 964 of the Internal Revenue Code  
26 and amounts included in gross income under Section 78

1 of the Internal Revenue Code) with respect to the stock  
2 of the same person to whom the premiums and costs were  
3 directly or indirectly paid, incurred, or accrued. The  
4 preceding sentence does not apply to the extent that  
5 the same dividends caused a reduction to the addition  
6 modification required under Section 203(d)(2)(D-7) or  
7 Section 203(d)(2)(D-8) of this Act.

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

12 and by deducting from the total so obtained the following  
13 amounts:

14 (E) The valuation limitation amount;

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

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

1 of bond premium amortization;

2 (H) Any income of the partnership which  
3 constitutes personal service income as defined in  
4 Section 1348 (b) (1) of the Internal Revenue Code (as  
5 in effect December 31, 1981) or a reasonable allowance  
6 for compensation paid or accrued for services rendered  
7 by partners to the partnership, whichever is greater;

8 (I) An amount equal to all amounts of income  
9 distributable to an entity subject to the Personal  
10 Property Tax Replacement Income Tax imposed by  
11 subsections (c) and (d) of Section 201 of this Act  
12 including amounts distributable to organizations  
13 exempt from federal income tax by reason of Section  
14 501(a) of the Internal Revenue Code;

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

1           250;

2           (K) An amount equal to those dividends included in  
3           such total which were paid by a corporation which  
4           conducts business operations in an Enterprise Zone or  
5           zones created under the Illinois Enterprise Zone Act,  
6           enacted by the 82nd General Assembly, or a River Edge  
7           Redevelopment Zone or zones created under the River  
8           Edge Redevelopment Zone Act and conducts substantially  
9           all of its operations in an Enterprise Zone or Zones or  
10          from a River Edge Redevelopment Zone or zones. This  
11          subparagraph (K) is exempt from the provisions of  
12          Section 250;

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

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

25          (N) An amount equal to the amount of the deduction  
26          used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of  
2 right for the taxable year pursuant to Section 1341 of  
3 the Internal Revenue Code of 1986;

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

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

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

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

23 (i) for property on which a bonus  
24 depreciation deduction of 30% of the adjusted  
25 basis was taken, "x" equals "y" multiplied by  
26 30 and then divided by 70 (or "y" multiplied by

1                   0.429); and  
2                   (ii) for property on which a bonus  
3                   depreciation deduction of 50% of the adjusted  
4                   basis was taken, "x" equals "y" multiplied by  
5                   1.0.

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

14                  (P) If the taxpayer sells, transfers, abandons, or  
15                  otherwise disposes of property for which the taxpayer  
16                  was required in any taxable year to make an addition  
17                  modification under subparagraph (D-5), then an amount  
18                  equal to that addition modification.

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

26                  The taxpayer is allowed to take the deduction under



1           this subparagraph only once with respect to any one  
2           piece of property.

3           This subparagraph (P) is exempt from the  
4           provisions of Section 250;

5           (Q) 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 such 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 such  
20          addition modification. This subparagraph (Q) is exempt  
21          from Section 250;

22          (R) 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(d)(2)(D-7) for interest  
13 paid, accrued, or incurred, directly or indirectly, to  
14 the same person. This subparagraph (R) is exempt from  
15 Section 250; and

16 (S) 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(d)(2)(D-8) for  
7           intangible expenses and costs paid, accrued, or  
8           incurred, directly or indirectly, to the same person.  
9           This subparagraph (S) is exempt from Section 250. ~~(T)~~

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

11           (1) In general. Subject to the provisions of paragraph  
12           (2) and subsection (b) (3), for purposes of this Section  
13           and Section 803(e), a taxpayer's gross income, adjusted  
14           gross income, or taxable income for the taxable year shall  
15           mean the amount of gross income, adjusted gross income or  
16           taxable income properly reportable for federal income tax  
17           purposes for the taxable year under the provisions of the  
18           Internal Revenue Code. Taxable income may be less than  
19           zero. However, for taxable years ending on or after  
20           December 31, 1986, net operating loss carryforwards from  
21           taxable years ending prior to December 31, 1986, may not  
22           exceed the sum of federal taxable income for the taxable  
23           year before net operating loss deduction, plus the excess  
24           of addition modifications over subtraction modifications  
25           for the taxable year. For taxable years ending prior to

1 December 31, 1986, taxable income may never be an amount in  
2 excess of the net operating loss for the taxable year as  
3 defined in subsections (c) and (d) of Section 172 of the  
4 Internal Revenue Code, provided that when taxable income of  
5 a corporation (other than a Subchapter S corporation),  
6 trust, or estate is less than zero and addition  
7 modifications, other than those provided by subparagraph  
8 (E) of paragraph (2) of subsection (b) for corporations or  
9 subparagraph (E) of paragraph (2) of subsection (c) for  
10 trusts and estates, exceed subtraction modifications, an  
11 addition modification must be made under those  
12 subparagraphs for any other taxable year to which the  
13 taxable income less than zero (net operating loss) is  
14 applied under Section 172 of the Internal Revenue Code or  
15 under subparagraph (E) of paragraph (2) of this subsection  
16 (e) applied in conjunction with Section 172 of the Internal  
17 Revenue Code.

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

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

1 Internal Revenue Code;

2 (B) Certain other insurance companies. In the case  
3 of mutual insurance companies subject to the tax  
4 imposed by Section 831 of the Internal Revenue Code,  
5 insurance company taxable income;

6 (C) Regulated investment companies. In the case of  
7 a regulated investment company subject to the tax  
8 imposed by Section 852 of the Internal Revenue Code,  
9 investment company taxable income;

10 (D) Real estate investment trusts. In the case of a  
11 real estate investment trust subject to the tax imposed  
12 by Section 857 of the Internal Revenue Code, real  
13 estate investment trust taxable income;

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

26 (F) Cooperatives. In the case of a cooperative

1 corporation or association, the taxable income of such  
2 organization determined in accordance with the  
3 provisions of Section 1381 through 1388 of the Internal  
4 Revenue Code;

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

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

1           in calculating his taxable income.

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

19          (f) Valuation limitation amount.

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

23                       (A) The sum of the pre-August 1, 1969 appreciation  
24                       amounts (to the extent consisting of gain reportable  
25                       under the provisions of Section 1245 or 1250 of the

1 Internal Revenue Code) for all property in respect of  
2 which such gain was reported for the taxable year; plus

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

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

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

23 (B) If the fair market value of property referred  
24 to in paragraph (1) was not readily ascertainable on  
25 August 1, 1969, the pre-August 1, 1969 appreciation  
26 amount for such property is that amount which bears the



1 same ratio to the total gain reported in respect of the  
2 property for federal income tax purposes for the  
3 taxable year, as the number of full calendar months in  
4 that part of the taxpayer's holding period for the  
5 property ending July 31, 1969 bears to the number of  
6 full calendar months in the taxpayer's entire holding  
7 period for the property.

8 (C) The Department shall prescribe such  
9 regulations as may be necessary to carry out the  
10 purposes of this paragraph.

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

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

23 (Source: P.A. 94-776, eff. 5-19-06; 94-789, eff. 5-19-06;  
24 94-1021, eff. 7-12-06; 94-1074, eff. 12-26-06; 95-23, eff.

1 8-3-07; 95-233, eff. 8-16-07; 95-286, eff. 8-20-07; 95-331,  
2 eff. 8-21-07; 95-707, eff. 1-11-08; 95-876, eff. 8-21-08;  
3 revised 10-15-08.)

4 (35 ILCS 5/218 new)

5 Sec. 218. Credit for student-assistance contributions.

6 (a) For taxable years ending on or after December 31, 2009  
7 and on or before December 30, 2020, each taxpayer who, during  
8 the taxable year, makes a contribution (i) to a specified  
9 individual College Savings Pool Account under Section 16.5 of  
10 the State Treasurer Act or (ii) to the Illinois Prepaid Tuition  
11 Trust Fund in an amount matching a contribution made in the  
12 same taxable year by an employee of the taxpayer to that  
13 Account or Fund is entitled to a credit against the tax imposed  
14 under subsections (a) and (b) of Section 201 in an amount equal  
15 to 25% of that matching contribution, but not to exceed \$500  
16 per contributing employee per taxable year.

17 (b) For partners, shareholders of Subchapter S  
18 corporations, and owners of limited liability companies, if the  
19 liability company is treated as a partnership for purposes of  
20 federal and State income taxation, there is allowed a credit  
21 under this Section to be determined in accordance with the  
22 determination of income and distributive share of income under  
23 Sections 702 and 704 and Subchapter S of the Internal Revenue  
24 Code.

25 (c) The credit may not be carried back. If the amount of

1 the credit exceeds the tax liability for the year, the excess  
2 may be carried forward and applied to the tax liability of the  
3 5 taxable years following the excess credit year. The tax  
4 credit shall be applied to the earliest year for which there is  
5 a tax liability. If there are credits for more than one year  
6 that are available to offset a liability, the earlier credit  
7 shall be applied first.

8 (d) A taxpayer claiming the credit under this Section must  
9 maintain and record any information that the Illinois Student  
10 Assistance Commission, the Office of the State Treasurer, or  
11 the Department may require regarding the matching contribution  
12 for which the credit is claimed.

13 Section 10. The Higher Education Student Assistance Act is  
14 amended by changing Sections 5 and 20 as follows:

15 (110 ILCS 947/5)

16 Sec. 5. Purpose. The General Assembly finds and declares  
17 that (1) the provision of a higher education for all residents  
18 of this State who desire a higher education and are properly  
19 qualified therefor is important to the welfare and security of  
20 this State and Nation and, consequently, is an important public  
21 purpose, and (2) many qualified students are deterred by  
22 financial considerations from completing their education, with  
23 a consequent irreparable loss to the State and Nation of  
24 talents vital to welfare and security. The number of qualified

1 persons who desire a higher education is increasing rapidly,  
2 and the physical facilities, faculties, and staffs of the  
3 institutions of higher learning operated by, within and for the  
4 residents of the State will have to be expanded greatly to  
5 accommodate those persons, with an attendant sharp increase in  
6 the cost of educating them. A system of financial assistance of  
7 scholarships, grants, and loans for qualified residents of  
8 college age will enable them to attend qualified institutions  
9 of their choice in the State, public or private. The adoption  
10 of new federal student loan legislation necessitates that the  
11 State update and broaden its system of financial student  
12 assistance.

13 As market conditions permit, the Commission is  
14 specifically encouraged to offer reasonable and affordable  
15 supplemental or alternative educational loans to students who  
16 seek to obtain these loans. As part of these alternative or  
17 supplemental direct lending initiatives, the Commission may  
18 give priority consideration to students assisted by the  
19 Commission's need-based programs.

20 The system of financial assistance provided under this Act  
21 includes prepaid programs for college savings, and the  
22 Commission is specifically encouraged to enlist employers in  
23 providing voluntary matching donations to the amount that their  
24 employees save through these prepaid programs.

25 (Source: P.A. 89-442, eff. 12-21-95.)

1 (110 ILCS 947/20)

2 Sec. 20. Functions of Commission.

3 (a) The Commission, in accordance with this Act, shall  
4 prepare and supervise the issuance of public information  
5 concerning its provisions; prescribe the form and regulate the  
6 submission of applications for assistance; provide for and  
7 conduct, or cause to be conducted, all eligibility  
8 determinations of applicants; award the appropriate financial  
9 assistance; and, upon request by a member of the General  
10 Assembly, nominate or evaluate and recommend for nomination  
11 applicants for General Assembly scholarships in accordance  
12 with criteria specified by the member under Section 30-9 of the  
13 School Code.

14 (b) The Commission is authorized to participate in any  
15 programs for monetary assistance to students and to receive,  
16 hold, and disburse all such funds made available by any agency  
17 or organization for the purpose or purposes for which they are  
18 made available. The Commission is authorized to administer a  
19 program of grant assistance as authorized by the Baccalaureate  
20 Savings Act. The Commission is authorized to participate in any  
21 programs established to improve student financial aid services  
22 or the proficiency of persons engaged in student financial aid  
23 services and to receive, hold, and disburse all funds made  
24 available by any agency or organization for the purpose or  
25 purposes for which they are made available subject to the  
26 appropriations of the General Assembly.

1           (c) The Commission is authorized to deny a scholarship or a  
2 grant to any person who has defaulted on a guaranteed student  
3 loan and who is not maintaining a satisfactory repayment  
4 record. If a person has a defaulted guaranteed student loan but  
5 is otherwise eligible for assistance pursuant to Section 40,  
6 the Commission shall award one term of assistance during which  
7 a satisfactory repayment record must be established. If such a  
8 repayment record is not established, additional assistance  
9 shall be denied until a satisfactory repayment record is  
10 established.

11           (d) The Commission is authorized to participate with  
12 federal, state, county, local, and university law enforcement  
13 agencies in cooperative efforts to detect and prosecute  
14 incidents of fraud in student assistance programs.

15           (e) The Administrative Review Law shall apply to and govern  
16 all proceedings for the judicial review of final administrative  
17 decisions of the Commission.

18           (f) The Commission is authorized to make all necessary and  
19 proper rules, not inconsistent with this Act, for the efficient  
20 exercise of the foregoing functions.

21           (g) Unless otherwise provided by statute, the functions of  
22 the Commission shall be exercised without regard to any  
23 applicant's race, creed, sex, color, national origin, or  
24 ancestry.

25           (h) The Commission is authorized to establish systems and  
26 programs to encourage employers to match employee

1 contributions to prepaid programs of college savings by making  
2 donations to the Commission for prepaid programs of college  
3 savings to make higher education affordable for all residents  
4 of the State and to receive, hold, and disburse all such funds  
5 made available through those programs for the purposes for  
6 which they are authorized by rule or by law.

7 (Source: P.A. 87-997.)

8 Section 99. Effective date. This Act takes effect upon  
9 becoming law.