



Rep. La Shawn K. Ford

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1 AMENDMENT TO HOUSE BILL 82

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 82 by replacing  
3 everything after the enacting clause with the following:

4 "Section 1. Short title. This Act may be cited as the Early  
5 Childhood Scholarship Support Act.

6 Section 5. Findings and declaration of policy. The General  
7 Assembly finds and declares the following:

8 (1) Custodians of kindergarten-age children in this  
9 State are frequently unable to enroll their children in  
10 early childhood programs that will provide them a quality  
11 education due to a lack of funds.

12 (2) Adopting a pilot early childhood scholarship  
13 support program for a limited number of students would  
14 enable parents to select schools or services they believe  
15 will provide a quality education for their children and  
16 provide them with at least a portion of the funds necessary

1 to pay for a quality education. Such a program would test a  
2 new approach to education that could be expanded to the  
3 rest of this State.

4 (3) The provisions of this Act are in the public  
5 interest, for the public benefit, and serve a secular  
6 public purpose.

7 Section 10. Definitions. As used in this Act:

8 "Base year" means the 2014-2015 school year.

9 "Custodian" means, with respect to a qualifying pupil, a  
10 parent or legal guardian who is a resident of this State.

11 "Final year" means the 2018-2019 school year.

12 "Qualified education expenses" means costs reasonably  
13 incurred on behalf of a qualifying pupil for the services of a  
14 participating early childhood program in which the qualifying  
15 pupil is enrolled during the regular school year. Qualified  
16 education expenses does not include costs incurred for supplies  
17 or extra-curricular activities.

18 "Qualifying pupil" means an individual who:

19 (1) is a resident of this State;

20 (2) is eligible for a free or reduced-price lunch under  
21 the national school lunch program; and

22 (3) during the school year for which a scholarship is  
23 sought, will be a full-time pupil enrolled in kindergarten.

24 "Scholarship" means a written instrument issued by the  
25 State Board of Education directly to the custodian of a

1     qualifying pupil. The instrument shall be for a sum certain,  
2     which must not exceed \$4,000. The custodian may present the  
3     instrument only to a participating early childhood program as  
4     payment for qualified education expenses incurred on behalf of  
5     the qualifying pupil.

6             Section 15. Establishment of program. There is established  
7     the Early Childhood Scholarship Support Program. Under the  
8     program, after the base year and through the final year, a  
9     custodian of a qualifying pupil shall be entitled to a  
10    scholarship for payment of qualified education expenses  
11    incurred on behalf of the qualifying pupil at any participating  
12    early childhood program in which the qualifying pupil is  
13    enrolled. A qualifying pupil shall be entitled to enroll at and  
14    attend any participating early childhood program of his or her  
15    choice.

16            Section 20. Request for scholarship. A custodian who  
17    applies in accordance with procedures established by the State  
18    Board of Education shall receive a scholarship under this Act  
19    within the scholarship issuance limits set out in this Act. The  
20    procedure shall require application for the scholarship, with  
21    documentation as to eligibility, between March 1 and May 1  
22    prior to the school year in which the scholarship is to be  
23    used.

1           Section 25. Issuance and payment of scholarship. A  
2 scholarship may be issued only to a custodian who has made  
3 proper application pursuant to Section 20 of this Act. The  
4 State Board of Education shall determine the number of  
5 scholarships that may be issued for a particular school year  
6 based on the amount of money in the Early Childhood Scholarship  
7 Support Fund to fund full scholarships that school year. The  
8 State Board shall adopt rules for a lottery drawing if there  
9 are more applications than the number of scholarships for a  
10 given school year. The custodian shall present the scholarship  
11 to a participating early childhood program of his or her choice  
12 as payment for qualified education expenses. Upon presentment,  
13 the State Board of Education shall honor the scholarship and,  
14 as issuer of the instrument, pay the participating early  
15 childhood program in accordance with procedures established by  
16 the State Board of Education. The procedures shall require all  
17 of the following:

18           (1) that the applying custodian be notified of the  
19 scholarship award by July 1 of the school year in which the  
20 scholarship is to be used;

21           (2) that the scholarship instrument be issued to the  
22 custodian no later than August 15 of the school year in  
23 which the scholarship is to be used;

24           (3) that the custodian present the scholarship  
25 instrument to the participating program no later than  
26 September 1 of the school year in which the scholarship is

1 to be used;

2 (4) that the participating program present the  
3 scholarship instrument, with proof of service to the  
4 custodian of the qualifying pupil, to the State Board of  
5 Education no later than September 31 of the school year in  
6 which the scholarship is to be used;

7 (5) that the State Board of Education shall honor the  
8 scholarship instrument and as issuer pay the participating  
9 program no later than November 31 of the school year in  
10 which the scholarship is to be used;

11 (6) that participating programs must not be required to  
12 accept scholarships as full payment for services but  
13 neither shall they charge scholarship pupils for  
14 educational expenses at a higher rate than other pupils;  
15 and

16 (7) that if a student attending an early childhood  
17 program under the Early Childhood Scholarship Support  
18 Program leaves the early childhood program before the State  
19 Board of Education has honored the scholarship of the early  
20 childhood program, then the State Board of Education shall  
21 pay the corresponding prorated portion of the scholarship  
22 amount to the early childhood program; and that if the  
23 State Board of Education has paid the scholarship amount to  
24 the early childhood program and the pupil leaves, then the  
25 early childhood program shall refund the corresponding  
26 prorated portion of the scholarship to the State Board of

1 Education.

2 No scholarships shall be issued for a school year after the  
3 final year.

4 Section 30. Amount of scholarship. A scholarship for  
5 qualified education expenses incurred through participating  
6 programs during any school year after the base year shall be  
7 the lesser of \$4,000 or the actual qualified education expenses  
8 related to the qualifying pupil's enrollment.

9 Section 35. Renewal of scholarship. Scholarships shall be  
10 renewable so long as the qualifying pupil and custodian  
11 continue to remain eligible pursuant to Section 10 of this Act.

12 Section 40. Funding. Funding for the Early Childhood  
13 Scholarship Support Program shall come from appropriations  
14 made to the State Board of Education from the Early Childhood  
15 Scholarship Support Fund.

16 Section 45. Not base income. The amount of any scholarship  
17 redeemed under this Act shall not be considered base income  
18 under subsection (a) of Section 203 of the Illinois Income Tax  
19 Act and shall not be taxable for Illinois income tax purposes.

20 Section 50. Report and expansion. On or before December 31,  
21 2017, the State Board of Education shall submit a report to the

1 General Assembly reviewing the program operating under this  
2 Act. This report shall include, but not be limited to, the  
3 number of qualifying pupils receiving a scholarship, the  
4 financial ramifications of the program, and the results of  
5 pupil assessments. In its report, the State Board of Education  
6 shall assess whether the program has been financially and  
7 academically beneficial and shall make a recommendation on  
8 whether the program should be extended or expanded.

9 Section 55. Penalties. It shall be a Class 3 felony to use  
10 or attempt to use a scholarship under this Act for any purpose  
11 other than those permitted by this Act. It shall also be a  
12 Class 3 felony for any person, with intent to defraud, to  
13 knowingly forge, alter, or misrepresent information on a  
14 scholarship application or on any documents submitted in  
15 application for a scholarship, to deliver any such document  
16 knowing it to have been thus forged, altered, or based on  
17 misrepresentation, or to possess, with intent to issue or  
18 deliver, any such document knowing it to have been thus forged,  
19 altered, or based on misrepresentation.

20 Section 60. Rules. The State Board of Education shall adopt  
21 rules to implement this Act. The creation of the Early  
22 Childhood Scholarship Support Program does not expand the  
23 regulatory authority of this State or its officers to impose  
24 any additional regulation of early childhood programs beyond

1 those reasonably necessary to enforce the requirements of the  
2 program.

3 Section 500. Expiration. This Act is repealed on January 1,  
4 2018.

5 Section 895. The Illinois Lottery Law is amended by  
6 changing Sections 2 and 20 and by adding Section 21.9 as  
7 follows:

8 (20 ILCS 1605/2) (from Ch. 120, par. 1152)

9 Sec. 2. This Act is enacted to implement and establish  
10 within the State a lottery to be conducted by the State through  
11 the Department. The entire net proceeds of the Lottery are to  
12 be used for the support of the State's Common School Fund,  
13 except as provided in subsection (o) of Section 9.1 and  
14 Sections 21.2, 21.5, 21.6, 21.7, ~~and 21.8,~~ and 21.9. The  
15 General Assembly finds that it is in the public interest for  
16 the Department to conduct the functions of the Lottery with the  
17 assistance of a private manager under a management agreement  
18 overseen by the Department. The Department shall be accountable  
19 to the General Assembly and the people of the State through a  
20 comprehensive system of regulation, audits, reports, and  
21 enduring operational oversight. The Department's ongoing  
22 conduct of the Lottery through a management agreement with a  
23 private manager shall act to promote and ensure the integrity,



1 security, honesty, and fairness of the Lottery's operation and  
2 administration. It is the intent of the General Assembly that  
3 the Department shall conduct the Lottery with the assistance of  
4 a private manager under a management agreement at all times in  
5 a manner consistent with 18 U.S.C. 1307(a)(1), 1307(b)(1),  
6 1953(b)(4).

7 (Source: P.A. 95-331, eff. 8-21-07; 95-673, eff. 10-11-07;  
8 95-674, eff. 10-11-07; 95-876, eff. 8-21-08; 96-34, eff.  
9 7-13-09.)

10 (20 ILCS 1605/20) (from Ch. 120, par. 1170)

11 Sec. 20. State Lottery Fund.

12 (a) There is created in the State Treasury a special fund  
13 to be known as the "State Lottery Fund". Such fund shall  
14 consist of all revenues received from (1) the sale of lottery  
15 tickets or shares, (net of commissions, fees representing those  
16 expenses that are directly proportionate to the sale of tickets  
17 or shares at the agent location, and prizes of less than \$600  
18 which have been validly paid at the agent level), (2)  
19 application fees, and (3) all other sources including moneys  
20 credited or transferred thereto from any other fund or source  
21 pursuant to law. Interest earnings of the State Lottery Fund  
22 shall be credited to the Common School Fund.

23 (b) The receipt and distribution of moneys under Section  
24 21.5 of this Act shall be in accordance with Section 21.5.

25 (c) The receipt and distribution of moneys under Section

1 21.6 of this Act shall be in accordance with Section 21.6.

2 (d) The receipt and distribution of moneys under Section  
3 21.7 of this Act shall be in accordance with Section 21.7.

4 (e) The receipt and distribution of moneys under Section  
5 21.8 of this Act shall be in accordance with Section 21.8.

6 (f) The receipt and distribution of moneys under Section  
7 21.9 of this Act shall be in accordance with Section 21.9.

8 (Source: P.A. 94-120, eff. 7-6-05; 94-585, eff. 8-15-05;  
9 95-331, eff. 8-21-07; 95-673, eff. 10-11-07; 95-674, eff.  
10 10-11-07; 95-876, eff. 8-21-08.)

11 (20 ILCS 1605/21.9 new)

12 Sec. 21.9. Scratch-off for Early Childhood Scholarship  
13 Support.

14 (a) The Department shall offer a special instant  
15 scratch-off game for the funding of scholarships under the  
16 Early Childhood Scholarship Support Act. The game shall  
17 commence as soon as is reasonably practical, at the discretion  
18 of the Director. The operation of the game shall be governed by  
19 this Act and any rules adopted by the Department. If any  
20 provision of this Section is inconsistent with any other  
21 provision of this Act, then this Section governs.

22 (b) For purposes of this subsection (b), "net revenue"  
23 means the total amount for which tickets have been sold less  
24 the sum of the amount paid out in prizes and the actual  
25 administrative expenses of the Department solely related to the

1 scratch-off game under this Section.

2 The Early Childhood Scholarship Support Fund is created as  
3 a special fund in the State treasury. The net revenue from the  
4 Early Childhood Scholarship Support scratch-off game must be  
5 deposited into the Fund for appropriation by the General  
6 Assembly solely to the State Board of Education for the  
7 issuance of scholarships under the Early Childhood Scholarship  
8 Support Act.

9 Moneys received for the purposes of this Section,  
10 including, without limitation, net revenue from the  
11 scratch-off game and from gifts, grants, and awards from any  
12 public or private entity, must be deposited into the Fund. Any  
13 interest earned on moneys in the Fund must be deposited into  
14 the Fund.

15 (c) During the time that tickets are sold for the Early  
16 Childhood Scholarship Support scratch-off game, the Department  
17 may not unreasonably diminish the efforts devoted to marketing  
18 any other instant scratch-off lottery game.

19 (d) The Department may adopt any rules necessary to  
20 implement and administer the provisions of this Section.

21 Section 897. The State Finance Act is amended by adding  
22 Section 5.855 as follows:

23 (30 ILCS 105/5.855 new)

24 Sec. 5.855. The Early Childhood Scholarship Support Fund.

1           Section 900. The Illinois Income Tax Act is amended by  
2 changing Section 203 as follows:

3           (35 ILCS 5/203) (from Ch. 120, par. 2-203)

4           Sec. 203. Base income defined.

5           (a) Individuals.

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

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

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

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

24           (C) An amount equal to the amount received during

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

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

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

24           (D-10) For taxable years ending after December 31,  
25          1997, an amount equal to any eligible remediation costs  
26          that the individual deducted in computing adjusted

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

3 (D-15) 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;

8 (D-16) 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 (D-15), then  
12 an amount equal to the aggregate amount of the  
13 deductions taken in all taxable years under  
14 subparagraph (Z) 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 (Z), 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 (D-17) 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 foreign person's business activity outside  
6 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 under Sections 951 through 964  
21 of the Internal Revenue Code and amounts included in  
22 gross income under Section 78 of the Internal Revenue  
23 Code) with respect to the stock of the same person to  
24 whom the interest was paid, accrued, or incurred.

25 This paragraph shall not apply to the following:

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

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

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

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

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

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



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

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

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

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

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

10 This paragraph shall not apply to the following:

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

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

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

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

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

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

25          (D-19) For taxable years ending on or after  
26          December 31, 2008, an amount equal to the amount of

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

25 (D-20) For taxable years beginning on or after  
26 January 1, 2002 and ending on or before December 31,

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

1 gross income under Section 529(c)(3)(B).

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

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

21 (D-22) For taxable years beginning on or after  
22 January 1, 2009, in the case of a nonqualified  
23 withdrawal or refund of moneys from a qualified tuition  
24 program under Section 529 of the Internal Revenue Code  
25 administered by the State that is not used for  
26 qualified expenses at an eligible education

1 institution, an amount equal to the contribution  
2 component of the nonqualified withdrawal or refund  
3 that was previously deducted from base income under  
4 subsection (a)(2)(y) of this Section, provided that  
5 the withdrawal or refund did not result from the  
6 beneficiary's death or disability;

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

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

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



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

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

1 Internal Revenue Code and regulations adopted pursuant  
2 thereto;

3 (G) The valuation limitation amount;

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

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

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

20 (K) An amount equal to those dividends included in  
21 such total that were paid by a corporation that  
22 conducts business operations in a federally designated  
23 Foreign Trade Zone or Sub-Zone and that is designated a  
24 High Impact Business located in Illinois; provided  
25 that dividends eligible for the deduction provided in  
26 subparagraph (J) of paragraph (2) of this subsection

1 shall not be eligible for the deduction provided under  
2 this subparagraph (K);

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

8 (M) With the exception of any amounts subtracted  
9 under subparagraph (N), an amount equal to the sum of  
10 all amounts disallowed as deductions by (i) Sections  
11 171(a) (2), and 265(2) of the Internal Revenue Code,  
12 and all amounts of expenses allocable to interest and  
13 disallowed as deductions by Section 265(1) of the  
14 Internal Revenue Code; and (ii) for taxable years  
15 ending on or after August 13, 1999, Sections 171(a) (2),  
16 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
17 Code, plus, for taxable years ending on or after  
18 December 31, 2011, Section 45G(e) (3) of the Internal  
19 Revenue Code and, for taxable years ending on or after  
20 December 31, 2008, any amount included in gross income  
21 under Section 87 of the Internal Revenue Code; the  
22 provisions of this subparagraph are exempt from the  
23 provisions of Section 250;

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

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

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

10 (P) An amount equal to the amount of the deduction  
11 used to compute the federal income tax credit for  
12 restoration of substantial amounts held under claim of  
13 right for the taxable year pursuant to Section 1341 of  
14 the Internal Revenue Code or of any itemized deduction  
15 taken from adjusted gross income in the computation of  
16 taxable income for restoration of substantial amounts  
17 held under claim of right for the taxable year;

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

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

25 (S) An amount, to the extent included in adjusted  
26 gross income, equal to the amount of a contribution

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

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

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

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

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

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

26 (X) For taxable year 1999 and thereafter, an amount

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

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

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



1 from the provisions of Section 250;

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

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

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

19 (3) for taxable years ending after December  
20 31, 2005:

21 (i) for property on which a bonus  
22 depreciation deduction of 30% of the adjusted  
23 basis was taken, "x" equals "y" multiplied by  
24 30 and then divided by 70 (or "y" multiplied by  
25 0.429); and

26 (ii) for property on which a bonus

1           depreciation deduction of 50% of the adjusted  
2           basis was taken, "x" equals "y" multiplied by  
3           1.0.

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

12          (AA) 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 that addition modification.

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

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

1           This subparagraph (AA) is exempt from the  
2 provisions of Section 250;

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

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

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

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

17 (EE) An amount equal to the income from intangible  
18 property taken into account for the taxable year (net  
19 of the 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(a)(2)(D-18) for  
8 intangible expenses and costs paid, accrued, or  
9 incurred, directly or indirectly, to the same foreign  
10 person. This subparagraph (EE) is exempt from the  
11 provisions of Section 250;

12 (FF) An amount equal to any amount awarded to the  
13 taxpayer during the taxable year by the Court of Claims  
14 under subsection (c) of Section 8 of the Court of  
15 Claims Act for time unjustly served in a State prison.  
16 This subparagraph (FF) is exempt from the provisions of  
17 Section 250; ~~and~~

18 (GG) For taxable years ending on or after December  
19 31, 2011, in the case of a taxpayer who was required to  
20 add back any insurance premiums under Section  
21 203(a)(2)(D-19), such taxpayer may elect to subtract  
22 that part of a reimbursement received from the  
23 insurance company equal to the amount of the expense or  
24 loss (including expenses incurred by the insurance  
25 company) that would have been taken into account as a  
26 deduction for federal income tax purposes if the

1 expense or loss had been uninsured. If a taxpayer makes  
2 the election provided for by this subparagraph (GG),  
3 the insurer to which the premiums were paid must add  
4 back to income the amount subtracted by the taxpayer  
5 pursuant to this subparagraph (GG). This subparagraph  
6 (GG) is exempt from the provisions of Section 250; ~~and-~~  
7 (HH) For taxable years ending on or after December  
8 31, 2014, an amount, to the extent that it is included  
9 in adjusted gross income, equal to any scholarship  
10 redeemed under the Early Childhood Scholarship Support  
11 Act. This subparagraph (HH) is exempt from the  
12 provisions of Section 250.

13 (b) Corporations.

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

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

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

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

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

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

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

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

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

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

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

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

26           (E-10) For taxable years 2001 and thereafter, an



1 amount equal to the bonus depreciation deduction taken  
2 on the taxpayer's federal income tax return for the  
3 taxable year under subsection (k) of Section 168 of the  
4 Internal Revenue Code;

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

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

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

22 (E-12) An amount equal to the amount otherwise  
23 allowed as a deduction in computing base income for  
24 interest paid, accrued, or incurred, directly or  
25 indirectly, (i) for taxable years ending on or after  
26 December 31, 2004, to a foreign person who would be a

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

23 This paragraph shall not apply to the following:

24 (i) an item of interest paid, accrued, or  
25 incurred, directly or indirectly, to a person who  
26 is subject in a foreign country or state, other

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

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

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

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

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

25 (iv) an item of interest paid, accrued, or  
26 incurred, directly or indirectly, to a person if

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

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

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

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

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

8 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

23 (E-14) For taxable years ending on or after  
24 December 31, 2008, an amount equal to the amount of  
25 insurance premium expenses and costs otherwise allowed  
26 as a deduction in computing base income, and that were

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

23                 (E-15) For taxable years beginning after December  
24          31, 2008, any deduction for dividends paid by a captive  
25          real estate investment trust that is allowed to a real  
26          estate investment trust under Section 857(b)(2)(B) of



1 the Internal Revenue Code for dividends paid;

2 (E-16) An amount equal to the credit allowable to  
3 the taxpayer under Section 218(a) of this Act,  
4 determined without regard to Section 218(c) of this  
5 Act;

6 and by deducting from the total so obtained the sum of the  
7 following amounts:

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

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

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

18 (I) With the exception of any amounts subtracted  
19 under subparagraph (J), an amount equal to the sum of  
20 all amounts disallowed as deductions by (i) Sections  
21 171(a) (2), and 265(a) (2) and amounts disallowed as  
22 interest expense by Section 291(a) (3) of the Internal  
23 Revenue Code, and all amounts of expenses allocable to  
24 interest and disallowed as deductions by Section  
25 265(a) (1) of the Internal Revenue Code; and (ii) for  
26 taxable years ending on or after August 13, 1999,

1 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
2 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
3 for tax years ending on or after December 31, 2011,  
4 amounts disallowed as deductions by Section 45G(e)(3)  
5 of the Internal Revenue Code and, for taxable years  
6 ending on or after December 31, 2008, any amount  
7 included in gross income under Section 87 of the  
8 Internal Revenue Code and the policyholders' share of  
9 tax-exempt interest of a life insurance company under  
10 Section 807(a)(2)(B) of the Internal Revenue Code (in  
11 the case of a life insurance company with gross income  
12 from a decrease in reserves for the tax year) or  
13 Section 807(b)(1)(B) of the Internal Revenue Code (in  
14 the case of a life insurance company allowed a  
15 deduction for an increase in reserves for the tax  
16 year); the provisions of this subparagraph are exempt  
17 from the provisions of Section 250;

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

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

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

18           (M) For any taxpayer that is a financial  
19 organization within the meaning of Section 304(c) of  
20 this Act, an amount included in such total as interest  
21 income from a loan or loans made by such taxpayer to a  
22 borrower, to the extent that such a loan is secured by  
23 property which is eligible for the River Edge  
24 Redevelopment Zone Investment Credit. To determine the  
25 portion of a loan or loans that is secured by property  
26 eligible for a Section 201(f) investment credit to the

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

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

1           this purpose the original basis of such property on the  
2           date that it was placed in service in a federally  
3           designated Foreign Trade Zone or Sub-Zone located in  
4           Illinois. No taxpayer that is eligible for the  
5           deduction provided in subparagraph (M) of paragraph  
6           (2) of this subsection shall be eligible for the  
7           deduction provided under this subparagraph (M-1). The  
8           subtraction modification available to taxpayers in any  
9           year under this subsection shall be that portion of the  
10          total interest paid by the borrower with respect to  
11          such loan attributable to the eligible property as  
12          calculated under the previous sentence;

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

24           (O) An amount equal to: (i) 85% for taxable years  
25          ending on or before December 31, 1992, or, a percentage  
26          equal to the percentage allowable under Section

1           243(a)(1) of the Internal Revenue Code of 1986 for  
2 taxable years ending after December 31, 1992, of the  
3 amount by which dividends included in taxable income  
4 and received from a corporation that is not created or  
5 organized under the laws of the United States or any  
6 state or political subdivision thereof, including, for  
7 taxable years ending on or after December 31, 1988,  
8 dividends received or deemed received or paid or deemed  
9 paid under Sections 951 through 965 of the Internal  
10 Revenue Code, exceed the amount of the modification  
11 provided under subparagraph (G) of paragraph (2) of  
12 this subsection (b) which is related to such dividends,  
13 and including, for taxable years ending on or after  
14 December 31, 2008, dividends received from a captive  
15 real estate investment trust; plus (ii) 100% of the  
16 amount by which dividends, included in taxable income  
17 and received, including, for taxable years ending on or  
18 after December 31, 1988, dividends received or deemed  
19 received or paid or deemed paid under Sections 951  
20 through 964 of the Internal Revenue Code and including,  
21 for taxable years ending on or after December 31, 2008,  
22 dividends received from a captive real estate  
23 investment trust, from any such corporation specified  
24 in clause (i) that would but for the provisions of  
25 Section 1504 (b) (3) of the Internal Revenue Code be  
26 treated as a member of the affiliated group which

1 includes the dividend recipient, exceed the amount of  
2 the modification provided under subparagraph (G) of  
3 paragraph (2) of this subsection (b) which is related  
4 to such dividends. This subparagraph (O) is exempt from  
5 the provisions of Section 250 of this Act;

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

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

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

1           (S) For taxable years ending on or after December  
2           31, 1997, in the case of a Subchapter S corporation, an  
3           amount equal to all amounts of income allocable to a  
4           shareholder subject to the Personal Property Tax  
5           Replacement Income Tax imposed by subsections (c) and  
6           (d) of Section 201 of this Act, including amounts  
7           allocable to organizations exempt from federal income  
8           tax by reason of Section 501(a) of the Internal Revenue  
9           Code. This subparagraph (S) is exempt from the  
10          provisions of Section 250;

11          (T) For taxable years 2001 and thereafter, for the  
12          taxable year in which the bonus depreciation deduction  
13          is taken on the taxpayer's federal income tax return  
14          under subsection (k) of Section 168 of the Internal  
15          Revenue Code and for each applicable taxable year  
16          thereafter, an amount equal to "x", where:

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

24               (2) for taxable years ending on or before  
25               December 31, 2005, "x" equals "y" multiplied by 30  
26               and then divided by 70 (or "y" multiplied by



1           0.429); and

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

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

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

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

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

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

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

10          This subparagraph (U) is exempt from the  
11          provisions of Section 250;

12          (V) The amount of: (i) any interest income (net of  
13          the deductions allocable thereto) taken into account  
14          for the taxable year with respect to a transaction with  
15          a taxpayer that is required to make an addition  
16          modification with respect to such transaction under  
17          Section           203(a)(2)(D-17),           203(b)(2)(E-12),  
18          203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
19          the amount of such addition modification, (ii) any  
20          income from intangible property (net of the deductions  
21          allocable thereto) taken into account for the taxable  
22          year with respect to a transaction with a taxpayer that  
23          is required to make an addition modification with  
24          respect to such transaction under Section  
25          203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
26          203(d)(2)(D-8), but not to exceed the amount of such

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

11 (W) An amount equal to the interest income taken  
12 into account for the taxable year (net of the  
13 deductions allocable thereto) with respect to  
14 transactions with (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-12) for  
2 interest paid, accrued, or incurred, directly or  
3 indirectly, to the same person. This subparagraph (W)  
4 is exempt from the provisions of Section 250;

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

26 (Y) For taxable years ending on or after December

1           31, 2011, in the case of a taxpayer who was required to  
2           add back any insurance premiums under Section  
3           203(b) (2) (E-14), such taxpayer may elect to subtract  
4           that part of a reimbursement received from the  
5           insurance company equal to the amount of the expense or  
6           loss (including expenses incurred by the insurance  
7           company) that would have been taken into account as a  
8           deduction for federal income tax purposes if the  
9           expense or loss had been uninsured. If a taxpayer makes  
10          the election provided for by this subparagraph (Y), the  
11          insurer to which the premiums were paid must add back  
12          to income the amount subtracted by the taxpayer  
13          pursuant to this subparagraph (Y). This subparagraph  
14          (Y) is exempt from the provisions of Section 250; and

15                 (Z) The difference between the nondeductible  
16          controlled foreign corporation dividends under Section  
17          965(e) (3) of the Internal Revenue Code over the taxable  
18          income of the taxpayer, computed without regard to  
19          Section 965(e) (2) (A) of the Internal Revenue Code, and  
20          without regard to any net operating loss deduction.  
21          This subparagraph (Z) is exempt from the provisions of  
22          Section 250.

23                 (3) Special rule. For purposes of paragraph (2) (A),  
24          "gross income" in the case of a life insurance company, for  
25          tax years ending on and after December 31, 1994, and prior  
26          to December 31, 2011, shall mean the gross investment

1 income for the taxable year and, for tax years ending on or  
2 after December 31, 2011, shall mean all amounts included in  
3 life insurance gross income under Section 803(a)(3) of the  
4 Internal Revenue Code.

5 (c) Trusts and estates.

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

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

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

17 (B) In the case of (i) an estate, \$600; (ii) a  
18 trust which, under its governing instrument, is  
19 required to distribute all of its income currently,  
20 \$300; and (iii) any other trust, \$100, but in each such  
21 case, only to the extent such amount was deducted in  
22 the computation of taxable income;

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

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 taxable year, with  
13 the following limitations applied in the order that  
14 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           (F) For taxable years ending on or after January 1,  
10          1989, an amount equal to the tax deducted pursuant to  
11          Section 164 of the Internal Revenue Code if the trust  
12          or estate is claiming the same tax for purposes of the  
13          Illinois foreign tax credit under Section 601 of this  
14          Act;

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

19          (G-5) For taxable years ending after December 31,  
20          1997, an amount equal to any eligible remediation costs  
21          that the trust or estate deducted in computing adjusted  
22          gross income and for which the trust or estate claims a  
23          credit under subsection (1) of Section 201;

24          (G-10) For taxable years 2001 and thereafter, an  
25          amount equal to the bonus depreciation deduction taken  
26          on the taxpayer's federal income tax return for the



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

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

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

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

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

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

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

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

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

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

6 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

21 (G-15) An amount equal to the credit allowable to  
22 the taxpayer under Section 218(a) of this Act,  
23 determined without regard to Section 218(c) of this  
24 Act;

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



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

12           (I) The valuation limitation amount;

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

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

1           (L) With the exception of any amounts subtracted  
2           under subparagraph (K), an amount equal to the sum of  
3           all amounts disallowed as deductions by (i) Sections  
4           171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
5           and all amounts of expenses allocable to interest and  
6           disallowed as deductions by Section 265(1) of the  
7           Internal Revenue Code; and (ii) for taxable years  
8           ending on or after August 13, 1999, Sections 171(a) (2),  
9           265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
10          Code, plus, (iii) for taxable years ending on or after  
11          December 31, 2011, Section 45G(e) (3) of the Internal  
12          Revenue Code and, for taxable years ending on or after  
13          December 31, 2008, any amount included in gross income  
14          under Section 87 of the Internal Revenue Code; the  
15          provisions of this subparagraph are exempt from the  
16          provisions of Section 250;

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

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

1 Increment Allocation Redevelopment Act;

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

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

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

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

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

1 Revenue Code and for each applicable taxable year  
2 thereafter, an amount equal to "x", where:

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

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

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

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

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

25 The aggregate amount deducted under this  
26 subparagraph in all taxable years for any one piece of

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

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

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

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

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

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

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

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

1 unitary business group because he or she is ordinarily  
2 required to apportion business income under different  
3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the same  
5 taxable year under Section 203(c)(2)(G-12) for  
6 interest paid, accrued, or incurred, directly or  
7 indirectly, to the same person. This subparagraph (U)  
8 is exempt from the provisions of Section 250;

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



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

4           (W) in the case of an estate, an amount equal to  
5           all amounts included in such total pursuant to the  
6           provisions of Section 111 of the Internal Revenue Code  
7           as a recovery of items previously deducted by the  
8           decedent from adjusted gross income in the computation  
9           of taxable income. This subparagraph (W) is exempt from  
10          Section 250;

11          (X) an amount equal to the refund included in such  
12          total of any tax deducted for federal income tax  
13          purposes, to the extent that deduction was added back  
14          under subparagraph (F). This subparagraph (X) is  
15          exempt from the provisions of Section 250; and

16          (Y) For taxable years ending on or after December  
17          31, 2011, in the case of a taxpayer who was required to  
18          add back any insurance premiums under Section  
19          203(c)(2)(G-14), such taxpayer may elect to subtract  
20          that part of a reimbursement received from the  
21          insurance company equal to the amount of the expense or  
22          loss (including expenses incurred by the insurance  
23          company) that would have been taken into account as a  
24          deduction for federal income tax purposes if the  
25          expense or loss had been uninsured. If a taxpayer makes  
26          the election provided for by this subparagraph (Y), the

1 insurer to which the premiums were paid must add back  
2 to income the amount subtracted by the taxpayer  
3 pursuant to this subparagraph (Y). This subparagraph  
4 (Y) is exempt from the provisions of Section 250.

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

12 (d) Partnerships.

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

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

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

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

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

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

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

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

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

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

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

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

5 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

23           (D-8) An amount equal to the amount of intangible  
24 expenses and costs otherwise allowed as a deduction in  
25 computing base income, and that were paid, accrued, or  
26 incurred, directly or indirectly, (i) for taxable

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

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

16 This paragraph shall not apply to the following:

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

24 (ii) any item of intangible expense or cost  
25 paid, accrued, or incurred, directly or  
26 indirectly, if the taxpayer can establish, based



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

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

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

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

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

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

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

1 preceding sentence does not apply to the extent that  
2 the same dividends caused a reduction to the addition  
3 modification required under Section 203(d)(2)(D-7) or  
4 Section 203(d)(2)(D-8) of this Act;

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

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

11 (E) The valuation limitation amount;

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

15 (G) An amount equal to all amounts included in  
16 taxable income as modified by subparagraphs (A), (B),  
17 (C) and (D) which are exempt from taxation by this  
18 State either by reason of its statutes or Constitution  
19 or by reason of the Constitution, treaties or statutes  
20 of the 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 (H) Any income of the partnership which  
26 constitutes personal service income as defined in

1           Section 1348 (b) (1) of the Internal Revenue Code (as  
2           in effect December 31, 1981) or a reasonable allowance  
3           for compensation paid or accrued for services rendered  
4           by partners to the partnership, whichever is greater;  
5           this subparagraph (H) is exempt from the provisions of  
6           Section 250;

7           (I) An amount equal to all amounts of income  
8           distributable to an entity subject to the Personal  
9           Property Tax Replacement Income Tax imposed by  
10          subsections (c) and (d) of Section 201 of this Act  
11          including amounts distributable to organizations  
12          exempt from federal income tax by reason of Section  
13          501(a) of the Internal Revenue Code; this subparagraph  
14          (I) is exempt from the provisions of Section 250;

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,  
19          and all amounts of expenses allocable to interest and  
20          disallowed as deductions by Section 265(1) of the  
21          Internal Revenue Code; and (ii) for taxable years  
22          ending on or after August 13, 1999, Sections 171(a) (2),  
23          265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
24          Code, plus, (iii) for taxable years ending on or after  
25          December 31, 2011, Section 45G(e) (3) of the Internal  
26          Revenue Code and, for taxable years ending on or after

1 December 31, 2008, any amount included in gross income  
2 under Section 87 of the Internal Revenue Code; the  
3 provisions of this subparagraph are exempt from the  
4 provisions of Section 250;

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

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;

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; and

10 (T) For taxable years ending on or after December  
11 31, 2011, in the case of a taxpayer who was required to  
12 add back any insurance premiums under Section  
13 203(d)(2)(D-9), such taxpayer may elect to subtract  
14 that part of a reimbursement received from the  
15 insurance company equal to the amount of the expense or  
16 loss (including expenses incurred by the insurance  
17 company) that would have been taken into account as a  
18 deduction for federal income tax purposes if the  
19 expense or loss had been uninsured. If a taxpayer makes  
20 the election provided for by this subparagraph (T), the  
21 insurer to which the premiums were paid must add back  
22 to income the amount subtracted by the taxpayer  
23 pursuant to this subparagraph (T). This subparagraph  
24 (T) is exempt from the provisions of Section 250.

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

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

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

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

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

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

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

25               (D) Real estate investment trusts. In the case of a  
26       real estate investment trust subject to the tax imposed

1           by Section 857 of the Internal Revenue Code, real  
2           estate investment trust taxable income;

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

15          (F) Cooperatives. In the case of a cooperative  
16          corporation or association, the taxable income of such  
17          organization determined in accordance with the  
18          provisions of Section 1381 through 1388 of the Internal  
19          Revenue Code, but without regard to the prohibition  
20          against offsetting losses from patronage activities  
21          against income from nonpatronage activities; except  
22          that a cooperative corporation or association may make  
23          an election to follow its federal income tax treatment  
24          of patronage losses and nonpatronage losses. In the  
25          event such election is made, such losses shall be  
26          computed and carried over in a manner consistent with

1 subsection (a) of Section 207 of this Act and  
2 apportioned by the apportionment factor reported by  
3 the cooperative on its Illinois income tax return filed  
4 for the taxable year in which the losses are incurred.  
5 The election shall be effective for all taxable years  
6 with original returns due on or after the date of the  
7 election. In addition, the cooperative may file an  
8 amended return or returns, as allowed under this Act,  
9 to provide that the election shall be effective for  
10 losses incurred or carried forward for taxable years  
11 occurring prior to the date of the election. Once made,  
12 the election may only be revoked upon approval of the  
13 Director. The Department shall adopt rules setting  
14 forth requirements for documenting the elections and  
15 any resulting Illinois net loss and the standards to be  
16 used by the Director in evaluating requests to revoke  
17 elections. Public Act 96-932 is declaratory of  
18 existing law;

19 (G) Subchapter S corporations. In the case of: (i)  
20 a Subchapter S corporation for which there is in effect  
21 an election for the taxable year under Section 1362 of  
22 the Internal Revenue Code, the taxable income of such  
23 corporation determined in accordance with Section  
24 1363(b) of the Internal Revenue Code, except that  
25 taxable income shall take into account those items  
26 which are required by Section 1363(b)(1) of the

1 Internal Revenue Code to be separately stated; and (ii)  
2 a Subchapter S corporation for which there is in effect  
3 a federal election to opt out of the provisions of the  
4 Subchapter S Revision Act of 1982 and have applied  
5 instead the prior federal Subchapter S rules as in  
6 effect on July 1, 1982, the taxable income of such  
7 corporation determined in accordance with the federal  
8 Subchapter S rules as in effect on July 1, 1982; and

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

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

1 using the greater of the apportionment fraction computed  
2 for the business under Section 304 of this Act for the  
3 taxable year or the average of the apportionment fractions  
4 computed for the business under Section 304 of this Act for  
5 the taxable year and for the 2 immediately preceding  
6 taxable years.

7 (f) Valuation limitation amount.

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

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

16 (B) The lesser of (i) the sum of the pre-August 1,  
17 1969 appreciation amounts (to the extent consisting of  
18 capital gain) for all property in respect of which such  
19 gain was reported for federal income tax purposes for  
20 the taxable year, or (ii) the net capital gain for the  
21 taxable year, reduced in either case by any amount of  
22 such gain included in the amount determined under  
23 subsection (a) (2) (F) or (c) (2) (H).

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

25 (A) If the fair market value of property referred



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

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

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

25 (g) Double deductions. Unless specifically provided

1 otherwise, nothing in this Section shall permit the same item  
2 to be deducted more than once.

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

12 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
13 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
14 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
15 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
16 eff. 8-23-11; 97-905, eff. 8-7-12.)

17 Section 999. Effective date. This Act takes effect upon  
18 becoming law."